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National Business Review

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Inside

Party patronage threatens to tarnish IDC reputation

by Allan Parker

"JOBS for the boys" on the politically-sensitive Industries Development Commission are raising fears that the commission's hard-won reputation for impartiality and integrity will be damaged.

Two recent appointments to the commission of long-time National Party activists — one is an ex-Minister — threaten to weaken the IDC's credibility with the industry groups from whom it gets its input.

Restructuring and industry studies have become politically volatile and the wisdom of blatant political patronage is being questioned in Wellington commercial circles.

One appointee is former Rome Ambassador Eric Halstead, aged 68. Halstead is also an ex-National MP and was Minister of Industries and Commerce in the mid-1950s.

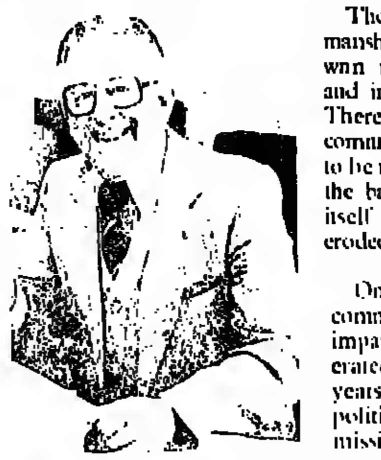
Halstead's appointment took effect early this month. He will sit on the commission as a full member to fill an existing vacancy.

His credentials are impressive and, as one source close to the commission noted, "at least he has been involved as a Minister on industry".

The background of the second appointee, Wellington's Bernie Lyons, is less impressive.

He goes to the commission from a private sector background including advertising agency ownership and chain-store marketing.

But he has been actively involved in Wellington National Party administration and once stood unsuccessfully for Parliament in Miramar.



Ted Tarrant . . . has won respect.

Lyon's appointment is as an associate commissioner. The appointment is a ministerial one and does not require an announcement in the *Gazette* like Halstead's.

The IDC, under the chairmanship of Ted Tarrant, has won respect for impartiality and integrity in recent years. There is now concern that if commission appointments are to be used as political largesse, the base of goodwill between itself and industry will be eroded.

One industry group official commented: "If the ethos of impartiality that has been generated over the last two to three years continues to exist, the political background of commissioners will have to be discounted.

"But, if clear political connotations start coming through in reports, public confidence in the commission would disappear rapidly."

The official even suggested that if any appointee tried to incorporate personal political beliefs into reports on industry, the longer-serving members would be placed in an invidious position — one from which the only escape would be resignation.

Public credibility is vital for the commission when it undertakes detailed examinations of industries. It relies heavily on often-confidential financial disclosure from groups of companies as well as individual companies.

Only from such a detailed knowledge can the commission hope to form plans for the long-term development of each sector.

The commission is known to cherish its reputation for fairness and understanding so it would be anxious to avoid any erosion of that image, particularly in the present controversial political environment surrounding aspects of its work.

Government rewards for party supporters are commonplace enough. But the recent appointments appear particularly ill-considered.

Harbour Board squall

by Gordon McLauchlan and Warren Berryman

A MAJOR row threatened to erupt in the Auckland Harbour Board on the eve of the local body elections over business dealings between the board and the companies owned by relatives of board member Harry Julian, head of the Citizens and Ratepayers' ticket.

Allegations have been made that board transactions with the Julian family companies totalled around $39,000 over the past year.

Harry Julian labelled the allegations as a ploy to put Labour candidates on the board; and brought a libel suit against *NZ Truth* in the week before the election.

The election outcome was not known when this issue of *NBR* went to press.

Harbour board general manager Bob Lorimer refused to release details of the board's business dealings with the Julian family companies to *NBR* despite an indication from board chairman Bob Carr that the information could be made public.

It is known that Carr and some other members of the board believe Julian may be technically on the right side of the law, but they have strong moral reservations about the issue.

Carr agreed with *NBR* that the best way to clear up the issue of any alleged conflict of interest was to release the details of the business relationship.

He said *NBR* could ask Lorimer for the appropriate information with his blessing.

Lorimer declined to talk on the telephone but when he received the message he told his secretary to say that Carr should release the information himself. Chairman Carr has now left the country to attend the Australian Association of Port Authority's conference.

The information sought by *NBR* was the names of the companies associated with the Julian family which did business with the harbour board, which vessels were involved with those companies and what was the value of the work done for the board by each of those companies.

Lorimer previously said: "He operates two companies, one of which he has no financial interest in and does a considerable amount of work for the board. The other which he has an interest in is limited in how much work it can do under the Local Bodies Act, and it does less than that, I think. Well, it would have to or he would have forfeited his seat on the board."

He would not comment further.

The Local Bodies Act limits to $5000 any contract between a local body and any member of a board or company in which he may be interested, and also limits dealings to $10,000 overall in any financial year.

The Act also stipulates that the limitation exists where a member "or his spouse singly or between them own directly or through a nominee, 10 per cent or more of the issued capital of the company or any company controlling that company".

Julian has said that no company controlled by himself has made any charge to the board in recent years.

Continued on Page 16.

The week

The business week

Alliance Textiles Ltd reported an unaudited net profit of $904,043 for the year to July 31 ($592,862 last year). A final dividend of 4c is payable on Decemer 3.

Arthur Ellis Holdings Ltd reported an audited net loss of $1,235,000 for the year to June 30 ($27,000 profit last year).

Aurora Group Ltd will pay a dividend of 10 per cent fot the six months to October 31 that date.

Bing Harris & Co Ltd reported an unaudited loss of $320,000 for the half-year to June 19 ($152,000 net profit last year). An interim dividend of 5 per cent is payable on October 28.

Ceramco Ltd bought **McSkimmings Ltd** for an undisclosed cash sum and the issues of 282,051 $1 Ceramco shares. The purchase has been approved by the Examiner of Commercial Practices.

Capital Life Assurance Ltd will pay an interim dividend of 3c on November 1 for the 16 months to January 3 1981.

Challenge Corporation Ltd sold its subsidiary, **Scott Bonar Ltd** in Adelaide, to **Rover Mowers (Aust) Pty Ltd.**

The **Colonial Motor Company Ltd** reported an unaudited tax-paid profit of $2554 million for the year to May 31 ($2653 million last year).

The **Commercial Bank of Australia Ltd** bought a 51 per cent interest in **Transvision Holdings Ltd** and is selling its holdings in **Marac Holdings Ltd.**

DIC Ltd reported an unaudited net profit of $1.61 million ($982,000 last year). A final dividend of 9c is payable on November 24.

Fletcher Holdings Ltd will pay an interim dividend of 13.5 per cent on December 9.

George Court & Sons Ltd reported an unaudited tax-paid profit of $315,693 for the year to July 19 ($297,095 last year). A final dividend of 6 per cent is payable on December 4.

McKechnie Brothers (NZ) Ltd reported an audited tax-paid profit of $2,169,000 for the year to July 31 ($1,706,000 last year). A final dividend of 8c is payable on December 11.

NZ Forest Products Ltd sold 20 per cent of its interest in **Williamson Jeffrey Ltd** to **Printing and Packaging Co Ltd.** In return P & P issued 400,532 shares at a premium of $1 to NZFP giving it a 5.4 per cent interest in P & P.

The New Zealand Insurance Co Ltd bought a 50 per cent interest in Western Australian-based finance house **Kimberley Finance Corporation Ltd.** The purchase is worth $A2 million and has the approval of the Australian Foreign Investment Review Board.

J Rattray & Co Ltd reported an unaudited tax-paid profit of $1,176,000 for the year to July 31 ($959,000 last year). A final dividend of 8c is payable on November 27.

F J Walker reported an audited tax-paid profit of $A6,050,000 for the year to June 30 ($A6,549,000 last year).

The week ahead

MONDAY: Baillie Farmers Motors' annual general meeting in Hastings.

East Coast Fertiliser Companys' annual general meeting in Napier.

TUESDAY: Energy Conservation Symposium held by the Industrial Energy Audit Consultancy.

Commerce and Energy select committee looks at the Cinematograph Films Amendment Bill.

Health and Welfare select committee looks at the Plumbers, Gasfitters, and Drainlayers Amendment Bill.

Lands and Agriculture select committee looks at the Poultry Board.

Statutes Revision committee looks at the Gleneagles Agreement and the Misuse of Drugs Amendment Bill.

WEDNESDAY: Foreign Affairs select committee hearing.

Commerce and Energy select committee looks at the Petroleum Amendment No 2 Bill.

Labour and Education select committee looks at the Factories and Commercial Premises Bill.

Lands and Agriculture select committee looks at the National Parks Bill.

Local Bills select committee looks at the Masterton Trust Land Amendment Bill and the Petone Borough Council Impounding Amendment Bill.

Petitions committee hearing.

Public Expenditure committee hearing.

Statutes Revision committee looks at the Gleneagles Agreement and the Misuse of Drugs Amendment Bill.

THURSDAY: Arnold [illegible] Wrights' annual general meeting in Wellington.

Scott Group annual general meeting in Wellington.

FRIDAY: Lane Walker Rudkins' annual general meeting in Christchurch.

Exchange Rates

As at October 9 1980 NZ$ sells at:

Britain	[illegible]
United States	[illegible]
Canada	[illegible]
Australia	[illegible]
Fiji	[illegible]
Austria	[illegible]
Belgium	[illegible]
China	[illegible]
Denmark	[illegible]
France	[illegible]
Greece	[illegible]
India	[illegible]
Indonesia	[illegible]
Italy	[illegible]
Japan	[illegible]
Malaysia	[illegible]
Netherlands	[illegible]
New Caledonia & Tahiti	[illegible]
Norway	[illegible]
Pakistan	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sweden	[illegible]
Switzerland	[illegible]
West Germany	[illegible]
Western Samoa	[illegible]

The week

NZ no mecca for Khomenei's friend

by Warren Berryman

A $16.5 MILLION New Zealand-based Iran trade deal centring on an Iranian halal slaughterman who claimed personal friendship with Ayatollah Khomenei has foundered.

Three New Zealanders have been left $40,000 out of pocket and owing $10,000 more. An Iranian company has estimated losses of $2 million.

The story of international commodity trading and Middle Eastern intrigue began at R and W Hellaby's Auckland meatworks.

Shokrollam Javan Jebeli, an expatriate Iranian revolutionary who had helped take over the Iranian Embassy in Canberra when the Shah was overthrown, was invited to New Zealand by the Ayatollah's halal killing overseer, Hajitol Mahdavi.

Shortly after Jebeli started slitting sheep throats in the manner prescribed by the Koran, he and his Iranian connections came to the notice of two Hellaby's staffers, Phil Taylor and Reginald Lidgard.

The three established Jebeli Associates Ltd last February and were soon joined by a third New Zealander, Phil Hewitt.

In spite of the mere $1000 capital, Jebeli Associates had big aspirations. The company's memorandum of association states as objects the export and import of meat and agricultural products to Iran and the Middle East – a preserve of the big league of international commodity traders.

There appears to be little doubt that Jebeli, acting through his brother in Iran, had the right business and political connections.

Jebeli showed *National Business Review* letters of credit totalling about $16.5 million. There was a $13.7 million letter of credit for buying rice for Iran, another for honey, and others for kraft paper, hessian and other commodities.

The $13.7 million letter of credit for rice came from the Government Trading Company of Iran and was drawn on the Bank Markazi.

The Iranian importer was Iran Material Supply, the company which arranged the Iranian end of the deal.

As the letters of credit started coming in, the New Zealand shareholders in Jebeli Associates took an increased financial interest in the Iranian meatworker.

Jebeli's wife, and three children and possessions were brought over from Australia at the New Zealanders' expense.

Jebeli was supplied with a car – first an 1100, then a Mercedes, as prospects of bigger profits grew.

Offices were opened in the Auckland Building Centre where the new company used the centre's telex.

Only one export order was arranged – a container-load of honey from the Honey Marketing Authority worth about $40,000.

Then things started to turn sour. Three Iranians arrived in Auckland to check out the New Zealand end of the deal. Messrs Javeri, Solamanie, and Khorremshahi, representing the interests of Iran Material Supply, did not see eye to eye with Jebeli when they met face to face.

Jebeli has adopted a more revolutionary-than-thou approach, advising Teheran that these three were not true Moslems because they drank alcohol and not true revolutionaries because their business dealings had old roots in the Shah's regime.

Jebeli also said he had written to Iranian customs officials to seize the honey shipment until it was paid for.

The letter of credit covering the Honey Marketing Authority's $40,000 shipment expired before the honey reached Bandar Khomenie (formerly Bandar Shahpur). Thus, after an international tidal wave of telexes and documentation, the Honey Marketing Authority is still waiting for its $40,000.

Jebeli's New Zealand associates, Hewett, Lidgard, and Taylor, all said the representatives of the Iran Material Supply Company asked them to ease Jebeli out of the deal. But Jebeli wouldn't budge.

When Jebeli was overseas, the New Zealanders, who controlled a majority interest in Jebeli Associates, decided to put the company into voluntary liquidation and put a notice in the newspaper to that effect.

On arriving back in New Zealand, Jebeli put his own notice in the newspaper stating the company was being wound up without his knowledge or approval.

The three New Zealand shareholders insist that the company is being voluntarily liquidated, although a liquidator has yet to be appointed.

An interested party to the liquidation is the Auckland Building Centre which is owed more than $10,000 for rent and telex services.

The three New Zealanders said they lost about $40,000 among them on the deal.

As to the debts to the Auckland Building Centre, Taylor said he had no intentions of leaving any wreckage behind.

Mohsen Javeri, an associate of the Iran Material Supply Company, said that company lost $300,000 in a bid bond to the Iranian Government when Jebeli's rice did not show up in Iran at the quoted price.

The fact that the rice was to have come from the United States at a time when Iranians were holding the American Embassy staff hostage in Teheran was a contributing factor to its non-arrival.

All up, Jeveri estimated that Iran Material Supply lost about $2 million on the deal.

Jeveri refused to be drawn into discussion on Jebeli's allegations of revolutionary apostacy. "When you get into a fight with someone, make sure he has as much to lose," he said.

Jebeli, interviewed by *NBR* in his St Heliers residence as his wife tried to sell family belongings to pay the bills, said: "We were happy in Australia.

We came to New Zealand and it broke us."

Jebeli said he would probably leave New Zealand for Iran within three months to fight the Iraqis. He had been eight years in the Iranian army, he said.

Jebeli was critical of the way the New Zealand Government and local bankers handled Iran trade deals. He said people kept asking him why the Iranian Embassy did not handle deals of this magnitude, to which he replied: "Because I'm here"

Jebeli said he tried to obtain butter for Iran from the Dairy Board without success.

Meat exports were monopolised by the Meat Board, so Jebeli Associates turned to Australia and Argentina for supplies.

It is understood that a new New Zealand-based Iran trading organisation will open for business – this time without Jebeli.

The week

McSkimming boss hadn't planned unemployment

by Rae Mazengarb

HOURS before publication of the Planning Council's report on employment, a man who played a major part in its production, Dunedin-based Ron Guthrie, found himself looking for a job.

Convenor of the task force which prepared the original draft for the council, of which he is a member, Guthrie told *NBR* he saw the irony of the situation.

Last Monday morning, he was general manager of McSkimming Industries Ltd.

Before day's end, Ceramco Ltd had bought all the share capital of the ceramic group, and Guthrie had joined the ranks of the unemployed.

Guthrie said neither he nor his senior executives had had any warning that the company's owners — Wellington-based Strontian Holdings Ltd — were about to sell.

The Thursday before the announcement — at the Planning Council's launching of the employment paper in Wellington — Guthrie dismissed a Radio New Zealand reporter's suggestion of a possible takeover bid. As general manager of McSkimmings, he would be one of the first to know, and it was all news to him, he said.

Another senior executive, describing the method of selling off the company as "unorthodox" and "a bolt out of the blue", confessed that one or two rumours had reached him that same day.

But no-one considered the possibility of a new general manager for the company. Since 1977, when he took on the job, Guthrie had been chiefly instrumental in reversing the company's flagging fortunes.

Formerly a production-oriented company whose future had seriously been in doubt, McSkimming was headed well on the road to becoming a fully market-oriented firm.

An executive said last week: "We were trading profitably this year under very difficult circumstances."

No one blamed Ceramco for what had happened, but there was a feeling among some employees that the previous owners had bailed out: "It seems they sold out at a loss," the executive said.

The takeover had "upset us all," he said.

Ceramco has offered Guthrie a redundancy package and part-time consultancy work with the company, but last week he was undecided about his future.

"I've no idea what I will do," he said.

He had had little time to think about it, but he hoped to be able to continue his work with the Planning Council.

McSkimming Industries, formerly a listed public company, was bought in 1976 by the Wellington-based investment company, Strontian Holdings Ltd, owned by Thomas George Taylor Ltd, Gordon Vincent and South Pacific Merchant Finance Ltd.

Late in 1976 the concrete sector was sold to Hume Industries and the rest of McSkimming embarked on a costly programme of technological change the following year. Though it had lost around $750,000 in the process, the investment paid off and 1978 gave a successful year's trading for the company.

Since then, the depressed state of the industry has taken its toll on sales but business appeared to be picking up steadily before the sale last week, according to one of senior management.

Ceramco bought the company for cash and shares. The total value has not been disclosed.

Ceramco said in a statement that the acquisition would give it entry to the sanitaryware market and strengthen its other ceramics activities through rationalisation of the operations of both companies.

McSkimming senior management personnel said last week they had no details of just how that rationalisation would be effected.

Asked if there could be redundancies, they said Ceramco had assured them there would be none.

Phoenix entrepreneur returns

ENTREPRENEUR Matt Thompson has risen from the wreckage of the $7 million Haulaways Corporation-Nationwide Air group to challenge the Government again.

He is executive director of Aqua Avia Society Ltd, an industrial provident society set up in Christchurch by Thompson, Murray Purchase, John Rutherford and John Yates to challenge Air New Zealand with a publicly-owned airline Skybus.

Thompson said Aqua Avia started off with $250,000 in the kitty, money lent to the founding directors by a source Thompson refused to name.

He said he hoped to operate three DC8-53s and a DC9. Money for the planes, leased from either Air Canada or Philipean Airlines, would come from members of the co-operative society.

Aqua Avia started selling-membership last Wednesday. Target membership is 80,000, which would provide a $4.5 million capital base. Lifetime founder members will pay $150 each and five-year term members $75 each.

Skybus planes initially would fly the Auckland-Wellington-Christchurch route. Air New Zealand fares will be used as a benchmark for setting Skybus fares.

Aqua Avia life members are to get a one-third fare reduction and five-year members a quarter reduction.

Aqua Avia also plans to operate charter trips for members to foreign destinations such as Hong Kong.

Line maintenance for the planes would be undertaken in Christchurch, in the hangar formerly used by Thompson's defunct Nationwide Air.

Editorial

OPPOSITION MPs Jack Ridley and David Lange last week made plain they were not satisfied with the Government's justifications for a second aluminium smelter. The Labour Party would continue to ask questions and demand answers on the project "until some basic issues have been clarified", said technology spokesman Ridley. Among the basic problem areas, Lange insisted, was the power supply. "The Government's own power plan clearly showed that if the smelter commitment was to be met, then New Zealand would have to make a massive investment in energy development; burn oil through the mid-1980s; rely on a new thermal station, with coal reserves that might not be developed in time; not allow even one year's delay in any of the projects; pray that there are no dry seasons".

At the same time as Lange was expressing his doubts on the power issue, however, the party's energy spokesman, Bob Tizard, was making plain he supported the smelter. Even more surprising, he lent unexpected support to Energy Minister Bill Birch on the power supply issue. He agreed with Birch (in an interview with Avon Parliamentary News) that the anti-smelter thrust of the Acclimatisation Society's hands-off-the-Clutha advertising was misleading — indeed, he protested they were "deliberately misleading", which "amounts to lying". It was nonsense to say that "every little river" was to be dammed; and if the society's representatives didn't have any new facts when they came to see him, "they will go out of the door faster than they came in".

That was the second time in a matter of days that he bluntly averred the Acclimatisation Society would get scant support from him. Tizard let them know he thought they were a bunch of selfish sportsmen prepared to sacrifice the national interest so they could pursue their entertainment.

Other Labour MPs are known to have some sympathy with the society's cause; some were disturbed by Tizard's tone, and one MP is said to have apologised to society officials.

Perhaps Tizard is right about the dam (although the *Energy Report* suggests that if Clyde dam power is used by the smelter, surplus demand must be met from other sources). But he might have been more tactful in declaring his disagreement. After all, he is a member of a political party that (presumably) aspires to oust the National Government from the Treasury benches and win political power. Offending the Acclimatisation Society and the 150,000 fishermen it represents (160 voters in each electorate?) looks like political lunacy.

It almost looks as if Tizard is making a do-or-die effort to recover his deputy leadership, if not the leadership. There were the vaguest hints earlier this year of an abortive attempt (which perhaps didn't get past the idea stage) to promote him as an alternative leader in a plan which would have required some curious alliances.

If the party in fact was concerned to replace Bill Rowling as leader, it would be faced with the dilemma of choosing a successor. There would be many party liberals to whom deputy leader David Lange didn't appeal because of his SPUC sympathies, for example. Perhaps Tizard feels he could claim that he is a liberal without SPUC sympathies, and a no-nonsense man on economic issues who would endorse big development projects that give the promise of jobs.

If there is a struggle within the party, then a liberal stance on social issues is unlikely to carry the day. Anxious to remove the old socialist, interventionist image, the party no longer is prepared to direct people and businesses to do things; younger MPs these days are therefore concerned more to liberalise the party's economic position, and Tizard here is regarded as an obstacle.

A growing disenchantment among small businessmen with the Government's economic policies cries out for exploitation by a "we're-for-you" programme from the Opposition.

(It's a sign of this disenchantment that a group of concerned small businessmen in a mixed urban-rural electorate — when told by their MP he could arrange for Associate Finance Minister Derek Quigley to address them — asked for Trade and Industry Minister Lance Adams-Schneider to be sent instead).

Lange has been appealing to this sector by advocating small resource and labour-intensive developments, rather than foreign-finance, capital and energy-intensive development. In Mosgiel the other day, he spelled out as a key plank in the party's economic platform "a total commitment to returning New Zealand to full employment"; thus Government investment and its encouragement of the private sector would be directed to development "that provided jobs rather than development that required vast amounts of capital". And so Labour would be unlikely to provide heavy electricity concessions to foreign investors in a new smelter consortium.

Lange — addressing the same public meeting — said the Labour Party had "had a gutsful of confusing and contradictory answers on basic questions relating to the second smelter".

The public could say the same about Labour's statements. Who should we listen to — the energy and economic development man, or, the justice man? While their wires are crossed on the smelter, a [illegible] hampers the public's quest for understanding.

Bob Edlin

Without word of a lie

No sparks from Energy Minister

ENERGY Minister Bill Birch raised eyebrows rather than interest at a recent "Energy Developments" forum in Wellington.

The gathering attracted one of the most high-powered audiences in the capital for some considerable time. But so lacklustre was the Minister's speech (along with the other speakers from international insurance brokers Sedgwick Forbes) that the hosts were embarrassed and apologetic even before he delivered his prepared-in-advance address.

Birch did no more than tell his audience that New Zealand has been hard hit by the oil crisis but has energy riches that the National Government is investigating and exploiting. And that was before an audience including the blue-chip chiefs of Forest Products, Feltex, Todd Motors, New Zealand Industrial Gases, the big oil companies and banks.

It was a bit like teaching standard one maths to university honours graduates.

And if the 150-strong group was hoping to get clear Government thinking and guidelines to downstream, energy-related investment opportunities, it was disappointed. All the audience got from the Minister was political chest-thumping on old news.

Chairman Geoff Hardwick-Smith, noting the presence of these experts and others from such bodies as the Liquid Fuels Trust Board, was surprised when only one question (on the Iran-Iraq war and its supply implications) was forthcoming.

Birch's response: "Probably because they've heard it all before".

Complete credits twice for lucky customers

OOPS, those blasted computers again!

This time it's the Bank of New Zealand share registry which has ended up with egg on its face thanks to computer "processing errors". Lucky BNZ account holders with shares in Winstone Limited were directly credited twice for Winstone's final dividend by the bank's electronic whizzkids, Databank System.

Reports embarrassed BNZ share registrar W H Chalmers in a letter to shareholders: "'When we were alerted to this situation, we instructed Databank to reverse the second payment. Had they done this under the date of Friday 15 August (the second direct credit entry date), all would have been well, but unfortunately they did not run the reversal until Monday 19 August, so that the reversal entry also appeared on shareholders' statements. Further, they did not advise Bank Branches of the situation at the time, which of course they should have done."

Chalmers' last word to the shareholders is a masterpiece of understatement: "I have taken steps to see that matters are conducted more satisfactorily henceforth, and there should be no repetition of this type of incident.".

We can only feel sorry for the people on the receiving end of those "steps".

Montana says amen to Brother Dominic

BROTHER Dominic — the wine you drank when you weren't drinking wine — has dried up.

After nearly 11 months, of good sales, Montana's chairman Sir Geoffrey Roberts made a we-was-only-kidding statement that the ersatz booze was made merely to draw attention to flaws in the legislation on wine production.

Brother Dominic was on the market only a few weeks last summer when the Health Department (among others) noticed it wasn't really a wine (it carried a look-alike wine label but no claim to be the real thing).

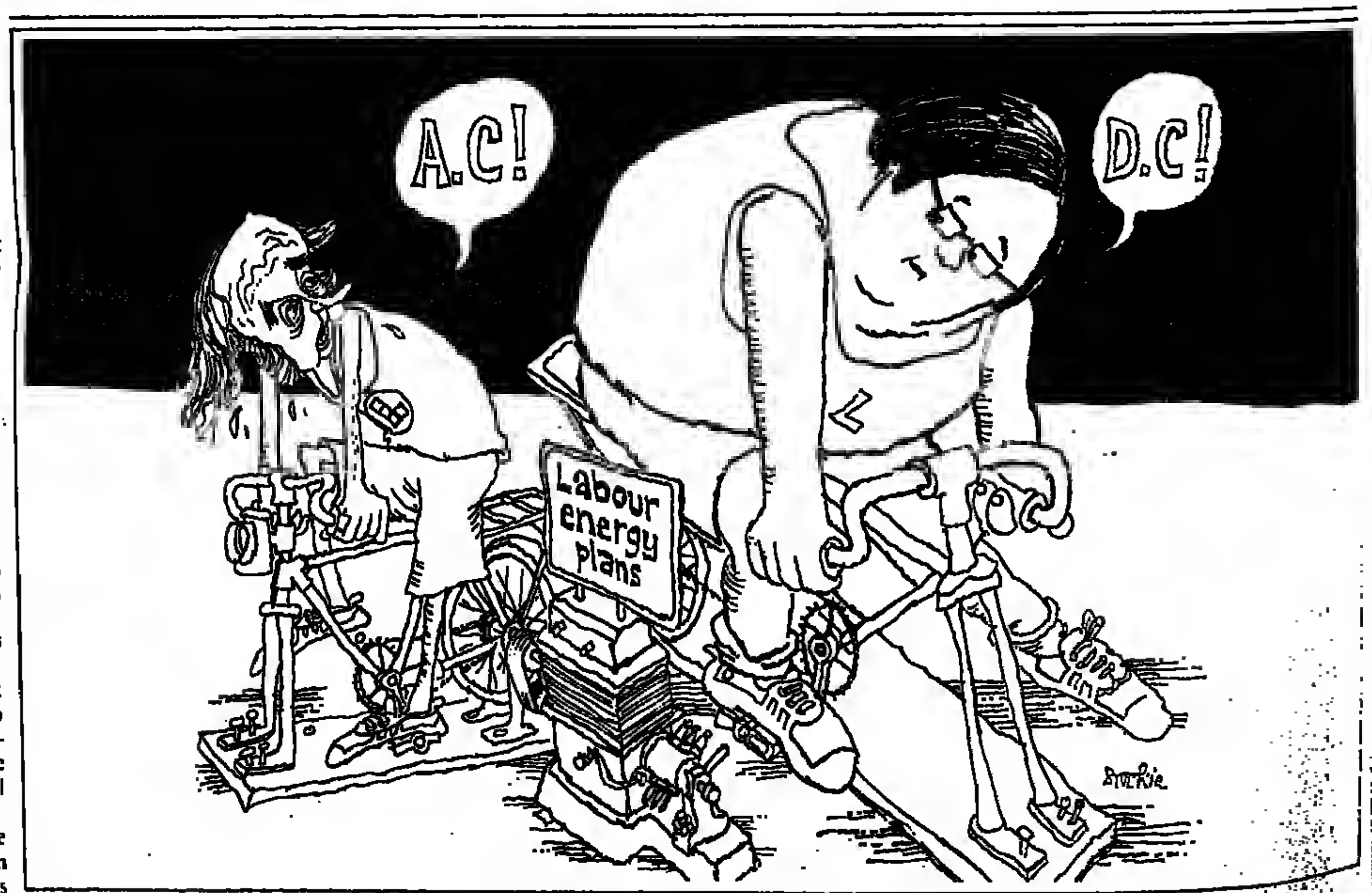
It was selling at $9.95 a cask when the real stuff was mostly more than $12; the company took a PR buffeting and protested unconvincingly that its motives were purely altruistic.

But the sales department noticed that the hooch was selling well, and it was kept on the market.

In August, it was taken off because the new wine regulations were looming up and could have made Montana more than ever embarrassed.

So will Montana now let us in on the [illegible] about the ingredients of the 8.5 per cent [illegible] beverage"? "It's irrelevant," says marketing manager Michael Cahill. "It's like asking Coca Cola what its ingredients are."

Brockie's view



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Second smelter approval: political vandalism?

by Dave Boswell

LIKE many New Zealanders I am concerned about the apparent decision to approve the construction of a second aluminium smelter. The secrecy surrounding the operation and the serious effect on our economy if the decision proves to be wrong prompted me to attend the seminar on the subject at Waikato University last month.

The chief protagonist for the smelter was Kerry McDonald, director of the Institute of Economic Research (which is also the consultant for Comalco). He emphasised that the project would be economically desirable because of the contribution it would make to our overseas funds and because of the additional job opportunities it would create.

He admitted it would not be without risk (the New Zealand taxpayer will carry much of the risk, not the consortium), but that the benefits should outweigh the disadvantages.

He said the smelter would be built with overseas capital, but ignored the huge amount of capital — New Zealand capital — that would be required for a crash programme to build more power stations to supply electricity for the smelter.

He did make the point that the long-term trend in aluminium prices was critical for the smelter's viability, and that this factor was uncertain.

In his assessment McDonald did not touch on environmental and health factors. Most of his statements were qualified by the phrase "at the present time".

The initial report of Dr van Moeseke, Professor of Economics at Otago University, provided the platform for the opposition to the second smelter. Van Moeseke believes that the second smelter would be an economic disaster for the country and has provided data to support his point.

His report was made public — at the request of a number of Otago residents — free of charge as a service to the community and did not reflect the views of any pressure group.

At the seminar, van Moeseke emphasised that the siting of the smelter would depend on the following comparative advantages:-

(1) Proximity to industrial markets;
(2) Availability of capital;
(3) Proximity to ore sites (bauxite);
(4) Cheap power.

He pointed out that we have none of these advantages. Electricity is not cheap; he assessed it at 3 cents a unit. (The consortium will pay about 1.7 to 1.8 cents a unit so it will require a massive subsidy from the taxpayer).

More than one-third of all the electricity produced will be needed for the two smelters.

Van Moeseke referred to the environmental and health aspects of a second smelter. He reinforced the points he was making with a series of equations which — I must confess — were incomprehensible to me.

McDonald disagreed with the figures on which van Moeseke based his conclusions and was most disappointed to learn that the professor would be leaving early. This deprived the seminar of a whole afternoon listening to two economists arguing about whose figures were correct.

B Carrie, from the Department of Trade and Industry, explained why the department supported the smelter. He said the smelter complied with Treasury rules requiring at least a 10 per cent real return.

The most prominent word in this address was "assumptions". The real return was dependent on the price of aluminium, so the Treasury must have guessed or assumed some base price.

He said the department had considered the project in isolation and all other factors — environment, health, availability of electricity — had been ignored.

He conservatively estimated the foreign exchange earnings at $120 million a year. Four months earlier, Prime Minister Rob Muldoon had said the earnings would be $200 million, so the estimate had shrunk by $80 million in four months.

Dr Geoffrey Bertram, an economist from Victoria University, and co-author with Keith Johnston of the paper *Where has all the power gone* commented on the lack of available data on which to make an assessment.

He said small movements in the cost of electricity and the market value of aluminium were vital to the viability of the smelter. A large risk would be carried by New Zealand and the greatest cause for alarm was that we may never know if the second smelter decision is a bad one.

Murray Ellis, a development economist from the Ministry of Works and Development, said there were much better uses for electricity than powering a second smelter. An example: substituting it for imported diesel oil in industrial heating. Probably 260,000 tonnes of costly diesel could be saved each year.

He said a second aluminium smelter would lift electricity generating costs to 4 cents a unit by 1988. Two years before that, New Zealand would be forced to burn oil to generate electricity for the smelter. (The cost of oil generation today is 5 cents a unit).

I expected that representatives from Treasury and the Ministry of Energy would address the seminar. On reflection, I realised that civil servants are not allowed to make public statements which would contradict their Ministers.

The Treasury would hardly approve the gamble inherent in the smelter decision. And the Ministry of Energy would be aware that, after approval was given for the third potline at Tiwai, surplus electricity would be a myth; its advice must have been against the project.

But it did not need any ministry representative to contradict Energy Minister Bill Birch — he contradicted himself.

In December last year Birch published *Energy Strategy 1979*. In the foreword, he states: "This policy statement is the first which gives a single comprehensive review of the energy situation today, and I commend it for thorough examination to people in every walk of life."

In this statement we read: "Considerable care will need to be exercised to avoid pursuing proposals which seem attractive in the short term, when the marginal cost of generation will be low, but which in the long term may not be in the national interest."

Even more significant is the following passage: "The build-up of Maui-based spending will coincide with falling investment in electricity capital works. From a level of $288 million in 1978-79 it will drop to $246 million for 1979-80 and continue to decline to an average of possibly $100 million over the medium term. The downturn in the electricity construction programme could free up an average of $150 million annually for 20 years, or a total of $3 billion for the period."

The upturn of an electricity construction programme required to supply a second smelter makes nonsense of the above statement; the Maui project, as well as other worthy projects, will now be starved of investment capital.

The decision to approve a second smelter is a political one, made by the Government against the advice of many of its experts. The Government apparently considers there is some political mileage to be gained by an injection of capital and the provision of more job opportunities in the Otago region: votes first and the national interest a poor second.

I came away from the seminar more than ever convinced that approval of a second smelter is an act of political vandalism.

Dave Boswell was a power board manager for [illegible] years, chairman of the Power and [illegible] Committee for 10 years and the [illegible] representative on the Committee to [illegible] Power Requirements for the [illegible] period.

Letters

The shifts in support

IN Colin James' article on the East Coast Bays hy-election, he reports accurately the shifts in support recorded for the political parties which contested that election. What is missing, however, is some in depth analysis of the factors which might have produced that result and of their significance for next year's general election.

The article states that: "National may have lost the seat in East Coast Bsys, but it was Labour that lost the votes". Surely it is pertinent to observe at that point that National hsd already been bled dry in East Coast Bays when it lost a msjor share of its votes there in 1978. What remained was rock solid support which was highly unlikely to move. The significant point is that those who had defected from Nstional in 1978 were not brought back into the fold, ss those strategists who planned the by-election had no doubt hoped for.

The 1980 result represents s major and enduring loss of votes for Nationsl in East Coast Bays.

No one can deny that the support recorded for Labour in the electorate diminished in the by-election. Whst is a matter for debate, however, are the reasons for and the significance of that decline.

Many among the pundits would like to see the result as signifying disenchantment of Labour supporters with their party. The facts, hnwever, discredit that as an explnnatinn. Support for Labour has nut diminished in recent opinion polls, and Lahnur held and slightly increased its vote in the Onehunga by-electiun despite strong assaults by National and Social Credit.

Colin James suggests that "gengraphically" there may well he differences between Onehungn and East Coast Bays. The differences between the two are a good deal more than geographic.

East Coast Bays is among the richest electorates in New Zealand, while Onehunga sits nearer the poorest. Even at the height nf the Great Depression, the richest electorates did not return Lahuur members to Parliament. There is little prospect of their doing so in the 1980s. What such electorates have been prone to do throughout the 20th century however, is to waver between alternative conservative parties. Reform and the Liberals competed in earlier decades as National and Social Credit do now for the conservative vote.

Whst do the by-election results portend for 1981?

My hypothesis is simple. Where Lahour is perceived as being able to win, as it clearly is in Lahour-held seats and in seats marginally held by Nationol, then Labour can hold and increase its vote.

Where the prospects of a Labour victory are seen to be remote, however, some Labour voters may pool their votes with those of the alternative conservative party to further their major objective of punishing the National Government.

In my view it makes little sense for Labour voters to assist in replacing one conservative party with another. The savage consequences for the National Party of that tactical voting, however, can be seen in the results of this year's by-election in East Coast Bays and in that in Rangitikei in 1978.

Labour will nnturally be striving to consolidnte its support in seats which have traditionally been National. But it is the National Party, now fighting on two frunts, which has the most to fear from the trends which emerged in East Coast Bays.

Helen Clark
Executive member
New Zealnnd Labour Party
Auckland

Involvement incorrect

I HAVE read with interest your articles concerning Kaiparn Edible Oils Refinery Limited, under the heading "Entrepeneurs" (*NBR* September 22 and 29).

The reference to my involvement with secretary Rod Moyle and the late Jack Glover in investigations of the company's intentinns and prospects are incorrect.

I attended a board meeting of the Kaipara Dairy Co-op with Dr Shiran Oskar, Charles Fry and P Dooge early in May 1976, where certain proposals for an edible oils refinery were discussed. I did not meet Jack Glover until 1977 when he attended Fiji Foods Limited as a commissioning engineer for one of the major plant suppliers.

I resigned from Fiji Foods Limited in June 1977 leaving that employment in mid-September, since then, although I had occasional meetings with Dr Oskar in London during 1977-78 and subsequently Australia, I have not been in his employ or in the employ of any company in which he has an interest or over which he has control.

I recall that on my occasional visits to the offices at 64-65 Grovenor St, London W1 during the latter part of 1977 and during 1978, that Jack Glover, until his death, was concerned with the equipping of Kaipara Edible Oils Refinery Limited and other similar projects being proposed by Dr Oskar.

I was not sware his interest was other thsn the selection, specification and installation of plant and equipment related to the edible nils and fats industry and in this regard would suggest that it is most unlikely he could have been concerned with the profit forecasts used for Kaipara Edible Oils.

C A Carter
Carlingford
Australia

Values will be there

A FLAW in the otherw... logical and perceptive article by Bob Edlin (*NBR* September 29) is the assumption that Values will be a spent force at the 1981 elections. Although the party may not field a full slate of candidates the major contemporary issues will be hotly contested.

Few would disagree that the need for the Values' philosophy is greater now than at any previous time. In fact it has already become painfully obvious that Values' ideals should have been heeded already.

The ill-timed process of "restructuring the economy" is hurting a growing sector of the community and causing grave misgivings for the future. At East Coast Bays, Dr Don Brash, with becoming modesty, assumed he had not made his message clear. Values claims his message was so abundantly clear, that voters, afraid of the ambivalent Labour image, opted for a "respectable" alternative.

Values has consistently committed itself to sustainable economics and its social implications, which are in direct contrast to the present government's proposals for exploitation of this country's true wealth. No one is more concerned than Values members that our renewable resources should be "hocked off" simply to offset the failure of the "Muldoon economic miracle".

In 1981 Values candidates will provide the electoral focus for those New Zealanders wishing to protest the headlong rush by the present government to grant unlimited political power to the monopolistic industrial giants.

Janet Roborgh
Deputy Leader
Values Party
New Plymouth

Politics

How to make smoke signals without the smoke

by Colin James

IN POLITICS words can come back to haunt you. That goes for journalists as well as the politicians.

I recall, for example, my own rue when the National Party made use of my description of Sir John (then Jack) Marshall as a "gentle man with a core of steel" in a profile of him in the *New Zealand Herald* when he became Prime Minister.

Last week a latter-day *Herald* journslist, Bob Wollace, the thoroughly professionol head of the paper's Wellington bureau, had a similar csuse for rue.

A comment from one of his columns in March was blazoned across the dust jacket of *The Years of Lightning*.

"The credentials of the author of *The Years of Lightning* are impeccable", the quotation went. "Mr (George) Chapman's memoirs ... promise a rare insight into the workings of the machine that has kept the National Party in power for most of the time since the Second World War."

Wallace's words were carefully chosen. No one can dispute that Chapman does indeed have impeccable credennals to describe the inner workings of the party at all levels, should he have chosen to do so.

And there was a "promise" of insight. Heavy hints have been made to journalists and others about the contents. Wallace himself, in a sneak preview a few weeks back, described Chapman as an "irrepressible publicist for his first literary work".

Incidentally, talking of irresponsibility, I hear the Prime Minister is back at the book-writing game. Got any thoughts for a title? How about, with apologies to Spike Milligan, *Muldoon, My Part in his Downfall?*

But to get back to Chapman, author and promisor of insights.

I enjoy Chapman; the mixture of the apparently ingenuous and the seemingly machiavellian; his unalloyed love of politics; his sleight-of-hand leadership.

People at sll levels in the party frequently tell me they are fascinated by his handling of meetings and party business: they wonder afterwards whether they have been manipulated and if so how much and in what direction.

I find Chapman's press conferences similarly fascinating.

His specialty is to say something without saying it. He says nothing in such a way that journalists for some reason all feel impelled to go away and interpret it in such and such a way.

Chapman gets to be innocent, since he hss not actually said what he is interpreted as having indicated and he can, and often does, deny it later. There are a lot of such wide-eyed denials in his book.

But he also gets a message across. To put the denials in context, he has the skill to ensure a message docanot get across if he does not want it to.

Chapman, in short, is the master of sending up smoke signals without the smoke.

And that about sums up his book. Smoke signala for those in the know (or who think they are) and a thick boring fog for those that are not.

For instance, It takes a mighty assiduous (one might say overstrained) resding between the lines to detect any of the ontipsthy known to exist between Chspmsn and the Prime Minister.

Jack Marshsll snd the current beloved lesder sre tresed pretty much even-handedly, if somewhat differently. The Prime Minister is said to have had "some indefinable extrs"; Marshall tu have been "entitled almost as of right to be lesder".

Tiny clues are offered in Chapman's description of his farewelling of Marshall at the 1974 conference as "the most difficult I am ever likely to have as president" and a low-key account of the different explanations between himself and the Prime Minister for the near-defeat in 1978.

(Incidentally, Chapman commits a monstrous error of taste by arguing that National really won the election, since it was ahead of Labour on general votes and only lost on Maori votes).

You can read other clues into his emphasis since 1971 on the party's fundamental principles and the importance of MPs recognising they are only a wing of that principled party and not its masters.

Chapman does not refer to the widely reported scepticism in the party about the Prime Minister's willingness to govern according to those principles and to accept that the party has a higher role than helping him get re-elected.

Chapman notes (now Sir) Keith Holyoake's punctilious attendance at party inner councils, but does not mention that for some time the present incumbent was much less punctilious.

But is Chapman himself so lily-blue ideologically? In his quotatiuns from his speeches in the mid-1970s the principles temporarily fade from view.

Why? The clue is on page 104 when he talks about that acme of "socialism", the superannuation bribe, only in terms of its potential to win the 1975 election. Purity without power is nothing.

All right, no exciting revelations about life at the top. What about the promised insights into the machine?

There are lots of pages on candidate selection meetings, some discussion of the system, but no analysis of what sort of candidates it throws up or gossip about winners and losers.

There is a whole chapter on boundary changes (too many, he says), but not a glimpse of the shrewd, thorough preparation for National Party bargaining over changes to the draft boundaries.

No exposition either of the famous blue dot canvassing system, developed in his own Wellington division by Rex Wratt, which revolutionised election organisation and has since been copied by the other parties.

And what about the detail of the post-Marlborough reconstruction in 1970-71 for which he was reputedly largely responsible? All we get is: "The views I expressed dominated the debate and the council approved procedural changes along the lines of the recommendations I made".

So why did he write the book?

For money? He has made financial sacrifices as president. For glory? He does have a vain streak. Or to influence future events? Perhaps the last.

At one level, the book is very positive in tone, reflecting Chapmsn's great love of politics. That tone contrasts with that of the Nstional sdministrstion under the present leader.

At another level, one can read into the book s message of unfinished business.

I sm bound to say here thst what follows is not the authorised Chapman version. It is not in the book in black and white. But is o message that some in the party would like their colleagues to get from it.

If there is a theme of the book, it is of a decade of "cleansing", a purging of the legacy of the easy 1960s.

Chapman quotes from his 1979 conference speech: thot National would have heen better to have lost the 1969 election (and by implication to hsve started its reconstruction earlier); and that "we failed to grssp the nettle when elected in 1975 sfter tslking in 1973 about our philosophicsl base".

That speech continued: "The electors hsve now given us a very firm warning indeed and the lesson of history is there: time is short for the Nationsl Psrty. Now is the time for bold, imsginative moves."

Such words have a louder ring in the wake of East Coast Bays.

Would the party he better to lose in 1981 than to "cling nn" as Chapman says it did in 1969? Or perhaps be better to have lost in 1978?

There is a school of thought in the party – of which Chapman is not part – that is toying with such views.

More common is the "we're going tn he raped onyway" school, which sees a parallel between 1971 and the unstoppable slide to 1972 defeat and the situation now. Chapman himself at his press conference on the book explicitly drew a parallel between 1980 and 1971, and talked of some unfinished business – the packaging and selling of the party's new policies.

In the event of s repeat of 1972, the strategic necessity for the party is to hold the organisation intact to complete the regeneration (with a new, in-tune leader) between 1981 and 1984.

This strategy requires that no pntential leader he tainted with the loss. So no changes before 1981, please.

The Prime Minister is due back on Wednesday. Some MPs, not hotheads, have been saying that a foot wrong in the party executive meeting that day nr the MPs caucus meeting the next will let loose all hell.

My guess is that nu one need worry about that happening. The Prime Minister has a strong preservation instinct and will say and do enough of the right things to get through the immediate crisis.

But he has got s rude shock coming. The sullen mond in Auckland and elsewhere is not abating this time as it has done in the psst.

The North Shore electorate has put forward a motion that there should be a regular resubmission of the leader to a caucus election. Leadership was discussed at length last Monday in the Aucklsnd divisional executive.

And when the Prime Minister gets back to his Tamaki electorate, instead of the usually jolly social occasion for all and sundry in his electorate organisation, he will be given a private review of grassroots misgivings by officers only.

Those are smoke signals no one can ignore. Underneath them is fire.

Economics

Activating labour market to aid unemployed

Economics Correspondent

UNEMPLOYMENT continues to soar. Recent figures put the number of registered unemployed at over 30,000 and jobs have been created by Government for just under 30,000. Of these, over three-quarters are under 30 years of age and nearly half are under 21.

In a report released last week, *Employment: Towards an active employment policy*, the Planning Council argues that an active employment policy could help with some of our present unemployment problems.

The work ethic prevails in our society and people who want, but cannot find, paid employment often experience severe financial, psychological and social stress. Periods of sustained unemployment not only hurt the unemployed individuals but also impose costs on the whole community. Crime, racial tensions and other symptoms of social stress tend to increase.

The Planning Council says that the prime cause of our employment difficulties is the negligible rate of economic growth experienced over the past five years. Low growth has contributed to the current depressed state of the employment market.

It seems that if the economy returns to a path of moderate economic growth and the Government takes the Planning Council advice and institutes an active labour market policy, our major unemployment problems will disappear.

As the council points out, "slow growth has meant few new jobs. At the same time the number of people seeking work has grown rapidly. The gap between supply and demand for labour is reflected in the current high levels of registered unemployed".

The demand for labour at any time depends on whether there are jobs available at current rates of pay. This is determined partly by the community's desire to purchase goods and services produced by firms who employ labour. But there is not a direct relationship between output of goods and services and employment. Capital investment and technological innovations often make it possible to produce an increased volume of goods and services with fewer workers.

Or, in other words, a rise in economic growth will not necessarily result in any more jobs being made available.

While there is little certainty about an increase in the demand for labour, there is a strong likelihood of an increase in the supply of labour.

The supply of labour (the numbers wishing to work) depends mainly on demographic and social factors such as the numbers in working age groups, the proportion of married women entering the work force for the first time, and *overseas migration patterns.*

The planners predict that "over the next decade, the number of people in the labour force is likely to increase substantially. One factor contributing to this is the increasing demand from married women for access to paid employment. This major social change adds to the pressure on the economy to generate employment opportunities".

Full employment exists when there is an approximate balance between those who want paid employment (the labour supply) and the jobs available (the demand for labour). The Planning Council thinks it should take no more than 10 weeks of job search to find jobs or training for them.

If advice in earlier planning reports is heeded, the economy will be restructured and there will be growth. But "a resumption of economic growth is unlikely to mean a return to the employment pattern of the post-war years . . . Even in the most favourable economic circumstances there are likely to be more people in transition between jobs".

In earlier reports, the council has advocated less Government interference and freer markets. If markets are freed up, resources can move more flexibly to the sector where they can be used most efficiently. The increase in efficiency and competitiveness in our economy depends on the labour force being used as effectively as possible.

But apparently, letting natural market forces prevail in the labour market is not going to ensure that our human resources are put to their best use. Here the council advocates that the Government become more actively involved.

An active labour market policy is required "to assure the smooth adjustment of people to the changing geographical and occupational patterns of employment; and overcome rigidities and blockages within the labour market".

An active labour market policy would also be designed to give security of income to people in transition between jobs, to facilitate a smooth and rapid entry or re-entry of workers into employment, to bolster the demand for labour with job creation programmes, to minimise unemployment and to bring about a qualitative and quantitative improvement in employment opportunities.

The council emphasises that an active employment policy "is a necessary part of an economic strategy to resume and sustain growth in paid employment; it will also assist people to cope with rapid change and help ensure that the rewards of growth are distributed widely within society through paid employment".

Foilure to implement an appropriate active employment policy could have serious consequences, in the council's view, because our economy *may face a growing shortage of* people with the required skills to take advantage of growth opportunities.

Justifiable fears about unemployment have already caused unions and employees to take a cautious attitude towards new technology. But the Planning Council believes new technology and other changes are designed to improve the productivity and the long-term strength of the economy.

Ideally, an active labour market package would be designed in such a way as to gain the co-operation of workers and their unions. It would help workers cope with change and in return, unions and workers would support new methods.

For once, the council has centred its discussions around one idea instead of a number of options. But its discussion of the employment problem is organised in such a way as to put its ideas in a good light. If the country returns to economic growth in the 1980s and if that growth involves an increase in the demand for labour, then an active labour market policy is a brilliant means of making sure that the labour force is prepared to meet the challenge ahead.

But what if the economy continues to have negligible growth, as it has over the past five years? Or, more likely, what if projected new technology and development programmes produce high growth rates, but fewer job opportunities?.

Even if the developments of the 1980s do bring jobs, the Government's restructuring policy may bring a rise in unemployment for the next two or three years. Commenting on industry restructuring, Prime Minister Rob Muldoon told *Euromoney* recently that he was "not gravely worried about the cost in terms of jobs . . . we'll get more unemployment, marginally, but it will start to pick up in due time".

The council's scheme is designed to prepare people for work. But there may not be work available for them to do.

Building up workers' expectations in this way could prove to be demoralising and may add to social stress, not reduce it.

We do have an employment problem. It is essential that some means is found to provide assistance to those without jobs. But in the long run, if there is not an increase in employment opportunities, an active labour market scheme will be no more than a palliative.

Public relations facilitate access to company facts

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

THE public relations efforts of major New Zealand companies have increased in recent years.

There was a time when it was difficult to obtain access to executives of industrial and commercial groups, and when their annual reports seemed to be written on a "take-it-or-leave-it" basis.

That approach changed when the companies learned it was useful to explain their activities and prospects to the media, and to people in the investment world, particularly the managers of institutional funds and analysts from broking firms.

Some of this activity may have happened in the 1960s, but it rapidly increased in the next decade.

Contrary to popular belief, Challenge Corporation was not the first New Zealand company in the 1970s to lay on a trip to meet the executives and discuss the company's affairs. In early 1971, Broadlands took a large team to Auckland for the launching of Broadbank, complete with a rangy executive from Wells Fargo, and discussion on the whole finance operation.

In September 1971, Tasman Pulp and Paper Co organised a trip to Kawerau for people from all over the country, starting with an informal function in Rotorua, and then proceeding to the mill, forest, and other sights in and near Kawerau.

The trip coincided with the announcement of a $6 million debenture issue and expansion programme (peanuts these days but big money in 1971). In passing, it is interesting to note that the top interest rate was an excellent 8 per cent for 10, 15, and 20 years. The 10 year stock matures in November 1981.

Challenge Corporation was the first to enter the annual report briefing field in 1972, after the merger with NMA. Earlier in the year the company held a swept-up "press conference" to talk about the merger after the British group, Vavasseur tried to grab NMA in a market raid.

In later years other companies and organisations copied the earlier efforts.

And there were those which developed so much that they finally got out of hand, and had to be cut back. Challenge's report presentation peaked in 1977 when every person who could be connected with the company's position in the financial community was present. The tempo was reduced in later years.

At one time or another, the following companies (not an exhaustive list) have held briefings and/or tours of their installations: Cable Price Downer, Challenge, Fletcher, Feltex, Dunlop, Lion Breweries (noted for classy lunches), Motor Corporation, South British Insurance, Tasman, Winstone, Forest Products (a company which has rapidly increased its PR effort, after years of an aloof public image, and recently published a "compendium" on its activities), TNL, General Finance, UDC, UEB, Broadlands, Brierley, and the Bankers Association — the last being an annual press seminar.

The formation of the Society of Investment Analysts widened the number of visits that groups make to listed public companies to update their knowledge of corporate affairs and quiz the executives.

Company willingness to talk about their affairs is commendable, but there could be a potential problem if people ever assume that the event will go beyond development information which will be printed the next day or will be more than a general discussion.

On September 29, Challenge held its annual presentation. Through no fault of the company, the shares jumped 7c that day, and market chat has it that an Auckland firm assumed some important announcement would be made. No important announcement was made, but a lot of other people were unaware that the company was having a gathering on September 29.

South British Insurance is having a "meet the executives" informal function in Wellington on October 30. The annual report will be released that week, so this will be an opportunity for "representatives of the financial community and the financial press" to [illegible] questions about the latest accounts and so on.

But again, the market [illegible] at work. South British is said to have been looking at the general finance company field, but at present has no major vehicle apart from a merchant banking interest.

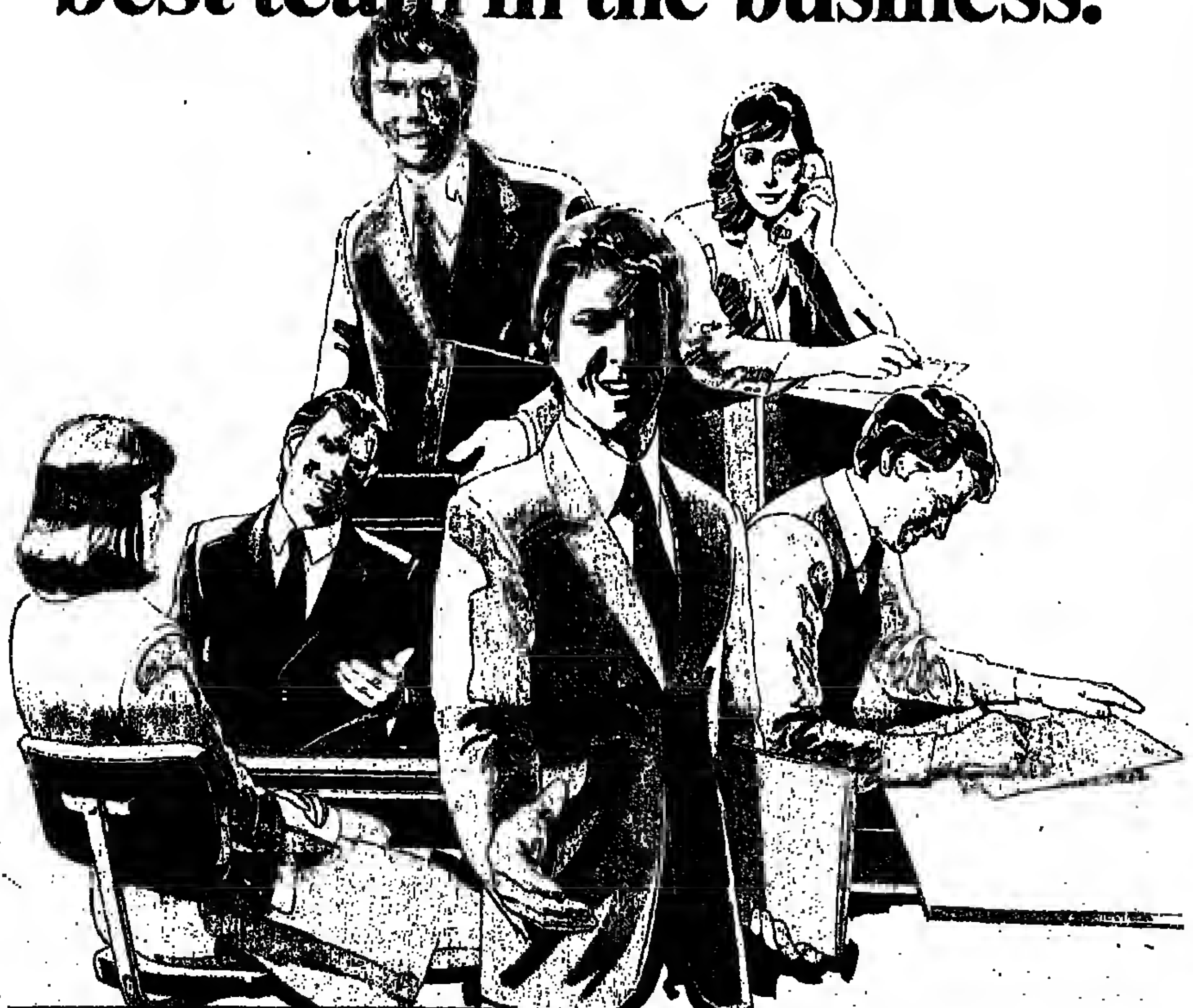
Last week, the Fletcher/CBA deal on Marac (see story below) set off the rumour that Fletcher might not retain its Marac investment long, and that the holding could be sold to South British. (The company already has an investment holding of about [illegible] per cent of Marac's capital).

The truth or otherwise of that rumour will doubtless be proved in time, and the Wellington gathering might be a useful time to raise the question, if nothing has happened by the end of the month.

The line between a good explanation of a company's activities and other information is thin.

Companies work on the principle that information which could affect the share price is given to the Stock Exchange first.

On balance, the present system is reasonably based [illegible] certainly an improvement [illegible] the lack of information [illegible] was a feature of company affairs 10 years ago.



Target year mapped out in Fletcher's strategy

THE Fletcher Holdings development strategy, mapped out in the late 1970s, seems to have 1980 as its target year.

The diversified Auckland company has been active on many fronts this year, although one (the proposed Carter Holt takeover) has at least temporarily come unstuck. Apart from an aluminium smelter proposal, and other industrial projects, the group has been a regular visitor to the money markets, and was in the news again last week in two areas.

The deal between the Commercial Bank of Australia and Fletcher, which involves shareholdings in Marac Holdings and Transvision, will make Marac a 51 per cent subsidiary of Fletcher, with the CBA treating Transvision as a similar subsidiary.

Fletcher has a $15 million debenture issue in the market and has announced a one for seven cash issue of $1 shares at a premium of $1.50.

The latter will take about $17 million out of the market. The favourable terms pushed the price up $4 when trading opened last Monday.

Share prices can become volatile when scrip is cum issue. The following calculations are based on a price cum issue of $4, and a total divident payment of 27 cents a share in respect of 1981 and 1982.

Fletcher signalled the dividend policy with an[illegible]nounced interim payment this year of 13.5 cents a [illegible] and a later statement which [illegible] the company had enough reserves to pay tax-free dividends at an annual rate of 27 cents a share through to, and including, the final dividend for the 1982-83 year.

Assuming that the company pays 27 cents a share, the [illegible] price of $2.50 for each [illegible] shareholders is 10.8 per cent, a handsome return, particularly as it is likely to be tax free in shareholders' hands. An individual shareholder on a marginal tax rate of 60 cents in the dollar would need a pre-tax return of 27 per cent to obtain the same amount as Fletcher's 10.8 per cent tax free.

The return also explains why the share price jumped. At $4 and an issue price of $2.50, the theoretical ex rights price is $3.81, and the rights are worth $1.31 before a dividend difference of 13.5 cents, since the interim payment will not be made on the new shares. After allowance for the dividend difference, the rights are priced at $1.18.

Therefore, a purchaser of shares at $4 will obtain a dividend yield of 7.08 per cent in a full year (ignoring the dividend difference in the calculation, because after [illegible] months the buyer will have received a full 27 cents, assuming the company's statement is an indication of payment at that level).

A tax-free dividend yield of 7.08 per cent is the equivalent of a 17.7 taxable payment on an alternative investment for an individual on a marginal tax rate of 60 cents in the dollar, before allowance for any future capital gain.

The table gives a range of prices cum issue, the ex rights price, the rights figure after a dividend difference, and the effective yield at 60 cents tax in the dollar on a 27c tax-free payment, based on the full theoretical ex rights value.

The market has justified the view that Fletcher shares were "worth" around $5 cum the one for three bonus issue earlier this year, or in the region $3.75/$4.00 ex bonus.

The Transvision tie-up with the Commercial Bank of Australia will strengthen the television rental company's finance business, an area which is the best growth prospect. Rental television is levelling out at present as market penetration increases, although profit gains will continue to show up in Transvision's books.

The initial administrative costs of a rental (or a term purchase agreement) are written off at the beginning of the transaction, with a consequent lift in profitability the longer the deal runs.

Transvision's "retail" outlets for rental agreements can easily be worked in with the group's finance business expansion, at little additional fixed overhead, but access to the CBA's branch network will do no harm, although the bank is the smallest of the five licensed operators.

The people at the CBA who will deal with Transvision are unlikely to find themselves in a strange environment. Many senior Transvision executives learned the finance company business at Marac, either in the finance company itself, or in the old Pacific Factors Ltd, which merged into Marac through a reverse takeover some years ago.

Share price $	Ex rights price $	Rights price after dividend difference $	Effective pre-tax yield at 60 cents marginal rate %
3.80	3.63	1.00	18.61
3.90	3.72	1.09	18.15
4.00	3.81	1.18	17.70
4.10	3.90	1.27	17.30
4.20	3.99	1.36	16.91
4.30	4.08	1.45	16.54
4.40	4.16	1.64	16.22
4.50	4.25	1.62	15.87

NOTE: The writer neither owns, nor has a beneficial interest in, Fletcher or Transvision shares.

Analysing annual accounts: Feltex NZ Ltd

THE gentlemen who run Feltex New Zealand Ltd are a perceptive bunch. The 1981 annual report contains most of the information which was requested here last year (*NBR* November 12 1979), and at the annual meeting.

The annual meeting request came from the AMP's investment manager, so *NBR* concedes with unusual modesty, that perhaps the impetus for more disclosure came from the company's largest shareholder (8.7 per cent at June 30) rather than from us.

The lack of divisional accounting has been a problem with Feltex's accounts, because the company always globalised textiles, furnishings, rubber and tyres, and other activities.

Chairman, Graham Callam, told the 1979 annual meeting that the company would look at divisional accounting, but he was concerned about the group's competitors gaining an advantage.

That problem appears to have evaporated in the ensuing 12 months, without Feltex's world crashing around the company.

[If you want to know what your competitors are doing, one of the best techniques is to ask your sales representatives; they find out on their rounds].

There is a pat on the back for Feltex's disclosure of divisional results, but a slightly harder pat further down the back for the repetition of another omission which was mentioned here last year.

Group pre-tax profit was $14,372,000 in the June 1980 year, compared with $14,778,000 in 1979, a decline of 2.75 per cent, but net profit, after allowance for minority interests and extraordinary items, was $12,911,000, or 18.17 per cent above 1979's $10,926,000.

A cut in taxation from $3,032,000 to $916,000 accounts for the difference. And how does the company explain the munificence of Inland Revenue? Thus: "Taxation provided by the holding company and subsidiaries includes both current and deferred taxation and is calculated after deducting available allowances."

How much were the "available allowances": how much were the "allowances not fully utilised last year": what is the breakdown between various types of allowances?

Any accounting I student knows that Feltex is a big exporter, and receives substantial taxation incentives from that source.

The company is proud of its export performance. Managing director Harold Titter tells us that exports last year grew 86 per cent to $31.6 million. That attracts a lot of incentive lolly.

Last year I raised the same questions. Do all these company directors think this stuff is written just for them to put in their corporate scrapbooks? [Apart from the need to meet the mortgage payments on the humble abode, and have the odd libation at the end of the day). So take a note chaps, we expect better next year, although it was nice to see the divisional accounting.

The accounting breakdown shows that the plastics and textile division was the most profitable last year, in terms both of return on sales [*NBR* addition to the table) and return on average shareholder funds. The rubber and tyre group recovered strongly, because in 1979 net profit was only 2.08 per cent of sales and 6.9 per cent on average shareholders funds.

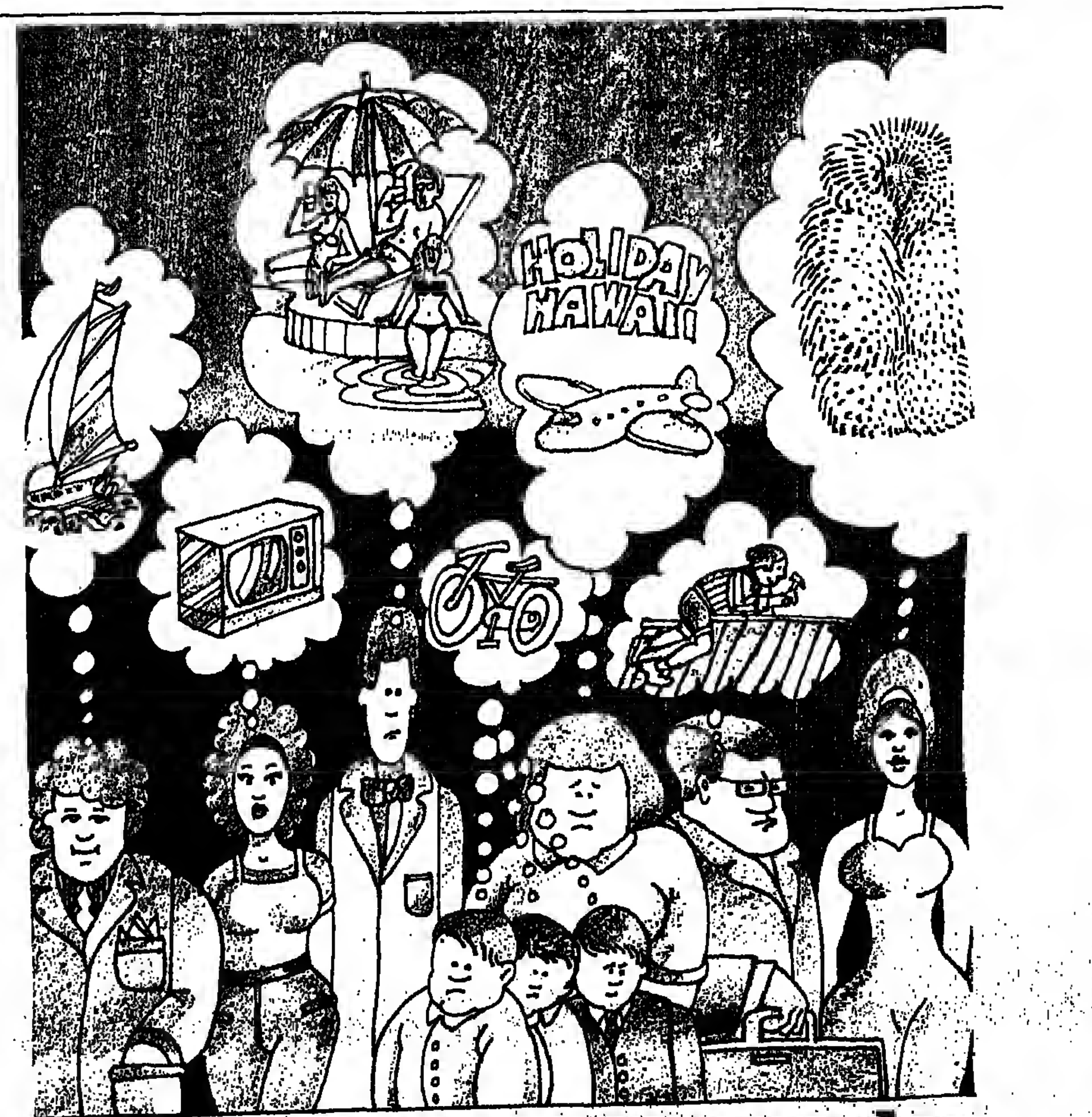
	Furnishing and retailing	Rubber and tyres	Plastics and textiles	Finance and property
Sales ($'million)	161.4	47.6	52.6	N/A
Net profit ($'million)	6.7	2.2	2.7	1.6
Net profit to sales (%)	3.69	4.62	5.11	N/A
Shareholders funds ($million)	47.8	14.5	15.9	31.2
Return on average shareholders funds (%)	14.2	18.8	17.9	5.1

While this information is admirable, the effect of export incentives complicates the returns. Titter says the carpet sector remains the main export area of the company, but "results this year have come not only from healthy growth in the established carpet area but from all areas of the business, highlighted by the major effort from Reidrubber in breaking into the difficult Australian tyre market".

Sizeable acquisitions last year affect comparisons of balance sheet items, but the useful guide of cash flow (net profit plus cash from extraordinary items and depreciation) to total assets had only a marginal decline, from 7.88 per cent in 1979 to 7.44 per cent.

There was an increase of $22 million (30 per cent) in inventories, most of it attributable to finished goods. Chairman Callam blames inflation for most of the rise. Acquisitions probably assisted the lift in inventories.

A value added statement shows, after some re-writing, how pre-tax operating profit fell in relation to 1979. Sales increased 24 per cent, but the cost of materials and "other services purchased" went up 26.7 per cent, wages and salaries 22.4 per cent, interest 35.4 per cent (but from a relatively low base of $6.5 million) and leasing and rental costs by 50 per cent, again from the low base of $2.4 million. The tax reduction was the saviour of net profit.



O'Brien on business

Alterations appeal but new building permits drop

RISING building costs are continuing to influence the trend to altering existing houses, rather than building a new structure.

The Department of Statistics' recent figures on building permits for the year to July 1980, show that the decline in permits for new dwellings has levelled out slightly, but there is still a reasonable flow of permits for alterations and additions to existing houses.

The department's permit figures have to be treated cautiously, because not all permits are translated to a completed dwelling later in time.

Permits authorising the construction of new dwellings were issued for 15,135 units in the July 1980 year, compared with 17,764 in 1979 and 16,609 in 1978.

In the year to July 1979, 16,700 new dwellings were started and 18,100 completed, compared with 14,400 starts and 15,800 completions in the 12 months to July 1980. While that is a drop between 1979 and 1980, the gap between the figures on a monthly basis has closed a little.

In July, the department reports that 1300 new dwellings were started and 1200 completed, compared with 1300 starts and 1400 completions in the same month of 1979.

The interesting information lies in the authorisations for alterations or additions. In the July 1980 year, the number of these permits increased 0.5 per cent in number to 52,648, and 13.7 per cent in value to $165.3 million. In 1979 and 1978 the numbers were 52,362 and 46,704 respectively, while the values were respectively $145.4 million and $121.5 million.

The value of alterations obviously reflects higher building costs, whether a builder is engaged, or the owner alters the dwelling on a do-it-yourself basis. In the latter case, the cost of materials is still rising and should show up in the value of work authorised.

Drawing conclusions from raw statistics in the absence of other detailed information is dangerous, but, in general terms, there seem to be several reasons for the relative buoyancy of the alteration and addition market, compared with new houses.

As mentioned earlier, the first is the "high cost" of new construction. Second is the distance owners have to go away from the cities for raw land on which to erect the home of their dreams.

That involves going out to the sticks, with the attendant hassle associated with new housing developments until the surrounds are in order.

Distance from city centres probably influences the trend to altering existing houses in two ways. The time taken to travel from home to work, or leisure outlets is one, while the cost of travel is the other. The cost is rising, whether private cars are used for the journey, or the traveller relies on public transport.

The latter can be difficult to obtain late in the evening, and local authorities and the rail system face increasing costs for wages, fuel, and maintenance in relation to their load factors.

Buying an older house close to the city has its advantages, because it is usually cheaper, when land costs are included. People can put up with a slightly lower standard of dwelling while they organise themselves to improve it.

And well-established neighbourhoods have equally well-established facilities, such as shops, community facilities, schools, medical and dental practitioners and so on.

The cost of money is probably another factor. While interest rates are similar on all mortgages (if they are from similar sources), the dollar outgoing on a lower cost house is obviously less than for paying off section costs and a new house built at a cost of $40 or more a square foot ($360 a square metre for you metric experts, give or take a few dollars on conversion).

As incomes rise there are additional funds to put the house in order, add on another room or two, and upgrade the whole edifice.

The ability to get to town relatively easily could have an intangible benefit in the area of the oft-quoted "suburban neurosis" problem, although the social scientists may have survey data to prove that there is little relationship between the level of the problem and distance from the town or city centre.

The "other buildings" section of the department's latest statistics shows an interesting rise in approvals for farm buildings (probably related to better incomes and a higher level of confidence in the rural community), shops and restaurants (isn't this the country that is supposed to be over-shopped?), and "social, cultural and so on".

Other groups are either static, or show a downturn, particularly in the factory category, although the value of the latter increased substantially.

Without more information it is difficult to see a trend in the "other building" statistics because the size of the building can vary in much greater proportion than dwellings. Some large factories, represented by one permit, could hold five or six smaller factories with a total value less than the large facility.

Stock Exchange weekly review

FOR WEEK FRIDAY OCTOBER 3 TO THURSDAY OCTOBER 9

	Last sale	Week's high	Week's low	Turnover
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Last sale	Week's high	Week's low	Turnover
NELLANATFIN	250	230	225	6100
NAUNCNI ENTARPRISAS,25C	170	170	170	1900
NANKINO,50C	55	56	55	28500
6.5% PR	...	...	...	0
N.D. FARMANS	222	222	220	2200
133 CONV PR	155	155	155	400
HA7NRIBN7A S PNCI	65	...	...	0
NZALING	519	519	515	14200
10% OAB	...	...	...	0
12E CORV PR	500	300	100	500
N.FOLLARD	300	300	280	5600
10% CONV PN	185	18A	150	2500
NRNPY OENR7,50C	152	112	147	12000
10E DAPE	235	...	...	0
ROOKZN,50C	73	...	...	0
RUNE INOUN7RIES	115	115	115	100
5-7.5% P7 PR	40	...	...	0
10% CONV DEBS	117	...	...	0
I.C.I.(AUST)	155	...	...	0
I.C.I.(NZ)	182	182	180	4000
IND BROADCASTING	140	...	...	0
INDEPENDENT NEWS	165	165	165	5400
IND.CNER,50C	175	175	175	100
INTERIAXRAR NI,50C	...	...	...	0
I.N.DON,50C	240	240	240	6100
JANED AVIATION	525	...	...	0
JAN23 ANI1N 50C	85	85	05	2900
14E CONV PN	55	...	...	0
J.3. WAT3ON	260	...	...	0
12E CONV PN	220	...	...	0
J.BURNS	170	170	170	20000
12E CONV PF	170	170	170	100
JOHN AONONO	170	170	170	12000
J.VEBATEE 50C	40	48	40	2000
12% CONV PR	40	40	40	4500
J.NARCAN INDO., 200C	70	...	...	0
5.25-6.25% PN	...	...	...	0
J.NATNAR	140	...	...	0
6.5E PR	125	...	...	0
11E CONV OAAA	140	...	...	0
J.3C71NAY	220	220	220	1500
12.5% CORV PR	150	...	...	0
NAANNC-OATINC, 200C	210	...	...	0
L.V.RUONIN,50C	110	110	109	6400
12E CONV PR	85	85	85	C000
LCNAA,50C	41	43	43	200
L.D.NC7NAN	180	180	179	21100
9.5% CONV DEBS	177	...	...	0
CONV PR	...	...	...	0
LEILAND,50C	165	165	165	100
LION, 50C	100	100	96	98300
10A CONV PR	89	89	88	8900
12E CONV PR	78	78	76	4000
L.3N.OIL,50C	57	40	17	160400
LUB7ERO1R	585	...	...	0
NCINIEAL CORP,50C	105	...	...	0
NAIR,50C	200	700	190	4500
11% CONV PR	152	...	...	0
MCNAWATU,50C	110	110	110	1000
NANIHEL	150	150	150	600
NANAC	265	265	260	1800
NCALPINE,50C	75	75	72	5700
RCKACRRZE	210	210	202	2900
NIOLANR	215	246	210	995V6
11E CONV PN	190	190	190	4000
NIN.RZEOVRCAE,20C	9A	97	95	40100
N.O'ONIRN,50C	70	70	70	1000
12E CORV PN	58	...	...	0
RORTARA,50C	165	165	164	24199
R-P.I.R.	195	200	195	59500
11% CORV NI3	200	200	200	12400
15E CORV PR	5	...	...	0
ROTOR HOLOE.,50C	159	140	139	74700
12.5E PR	...	...	...	0
MOTOR TRAD.,50C	59	59	55	13900
5-6% PR	46	...	...	0
11.5% CORV PR	50	...	...	0
RSI COEPN,50C	100	102	100	32600
128 COEV PE	100	105	100	5000
N7.COOK	160	162	160	4100
R.I.R.ROLOS.,50C	700	700	700	1100
RAT.IRECE, 50C	200	200	198	25800
RATIONAL TRADIRR	...	...	...	0
8% PR	...	...	...	0
EAILOE	130	...	...	0
5E PR	...	...	...	0
REIL ROLOINGS, 50C	28	29	28	32500
R.Z.CBRER7	105	106	105	10908
R.Z.F.C.,50C	104	104	100	17200
11E CORR PR	80	80	80	1600
R.Z.PAHR CENT.	166	167	165	11200
12E CORV PR	156	136	155	5200
14% CORV PR	155	155	155	4700
E.Z.F.P.	558	559	351	66300
R.I.I.R.	550	550	348	2300
5.5% PR	40	40	40	600
E.Z.I.	240	240	258	25900
10E CORV FN	165	165	165	900
R.Z.LAND,50C	20	20	18	300
R.Z.LEATHE35	62	62	62	5000
E.Z.ROTOR BOOICO	90	...	...	0
R.I.R.C	150	150	144	9300
N.Z.RØRE	210	210	210	2500
R.Z.PETROL,50C	480	500	480	2850
R.Z.AEFIRZNG	9V	99	97	29500
N.Z.STEEL	185	186	185	25000
N.I.URITED	500	50C	50C	1500
NIVIN INVESTMENTS	105	...	...	0
MUNAKA	215	215	215	500
NOLINES, 50C	80	81	80	18000
"F" 6% PR	20	...	...	0
12.5% CONV PR	5C	55	5?	700
"1" 1?% CONV PR	60	60	60	400
OPTICAL HOLDINGS, 50C	6?	A0	60	2600
12% CONV PR	4?	...	...	0
OTAGO PRESS & PROD	112	112	112	300
PAYROC HOLDINGS	110	...	...	0
P.O.L.HOLDS,50C	150	150	150	2400
PINE.INVEST	P5	...	...	0
PHILLIPPS & IMPET,50C	110	130	128	10900
PRESTIGE,50C	72	72	72	16200
PRINT & PACKAGING	200	200	200	2100
11.5% CONV PR	170	170	165	2000
PROGRESSIVE	395	195	595	35100
12% CONV PR	800	...	...	0
PROP.SECURITIES,50C	152	152	150	1200
PROG.BUILDING	100	...	...	0
QUILL MORRIS,50C	100	100	100	400
12% CONV PR	85	...	...	0
RADIO AVON, 25C	175	175	175	1100
RADIO OTAGO	110	...	...	0
RABINA	100	100	100	300
R & W HELLABY	1N0	185	180	2700
RAIN FARMERS	255	255	255	200
REPCO(NZ),50C	75	82	75	1300
10C CONV DEBS	92	...	...	0
REVCE7RX	500	...	...	0
REX CONSOL.	740	240	255	2400
RHEEM,50C	150	...	...	0
RICKSTAR,10C	242	...	...	0
AOTRMARA,50C	116	116	115	18800
R.V.SAVNGERS	510	520	310	7300
SALMOND	190	...	...	0

	Last sale	Week's high	Week's low	Turnover
BANIORD	320	320	520	800
PR	155	...	...	0
12% CONV PR	250	250	230	300
12% "B" CONV PR	225	...	...	0
SCNOCIILD	140	...	...	0
SCOTT,10C	5A	58	58	2400
12.5% CONV PR	4R	4P	4R	500
SCLEY	215	...	...	0
SKALLENUP,50C	500	300	300	7500
5-7.5% PN	36	36	35	2200
SMCIN ETOLAY,50C	165	162	165	2500
12% CRUV PR	157	...	...	0
ARITHS C.P.	123	125	C23	3000
STH. BRITISH	282	282	280	82100
R7NR. CROAN HOTEL	150	150	150	2000
ATHR CROBO MINS.,20C	47	50	46	154700
O.F.M.	205	208	205	22600
APEODCNG, 50C	10	51	50	5900
12R CONV PR	64	64	6A	1400
STEEL & TUBE, 50C	105	105	102	16000
AUCKLCNG	160	...	...	0
TASMAN, 50C	540	540	552	10000
NCD FP	...	...	...	0
PART PF	...	...	...	0
TAYLORS	120	120	120	800
12C CONV PR	112	112	C12	100
7ELTHENR	165	165	165	4200
12A CONV PR	120	120	120	1000
7 J IOMONON	295	795	295	7400
TOLLEY	107	107	107	5700
10UR CIJC	55	...	...	0
TRENI CARBURTON, 50C	4R	4P	A8	200
TNE 4NOUP, 50C	92	92	88	62700
10I CONV PR	60	6R	6E	4900
12R CONV PN	70	70	69	5800
1NANC (NTR. CRNT.)	95	95	95	1900
13.5E CONV PN	84	...	...	0
C5A CONV PN	95	...	...	0
TRANSVISION	221	221	209	21900
U.O.C.	CA7	...	...	0
U.A.B.,50C	104	106	105	5N400
6.5-7.5% PR	115	...	...	0
12A CONV PR	P1	86	01	2A100
151 CONV PR	5R	67	57	1800
UNITED CIFAN SHIP	82	...	...	0
5.5% PR	78	78	P8	100
UNITAD BLDG	105	...	...	0
UNCICR PUBLIAHING,50C	220	720	220	15500
VACATION,50C	57	57	56	5000
11A CONV PR	50	50	50	1100
12.5A CONV PR	50	...	...	0
WAITAKI-NIN	197	191	185	11200
11.5% CONV PR	150	150	140	A100
12R DAPS	165	...	...	0
WALKER R HALL	450	A50	450	600
WATTIE,50C	112	117	125	AA600
11.5A CONV PR	77	77	76	1900
WILGAS	475	475	470	1400
WILKINS & DAVIES	210	210	200	700
5.75-7.5C PR	50	...	...	0
W.JEAIEPY	5A0	140	140	900
12A CONV PR	110	9C0	118	C00
WILOON & RORTON	550	550	550	6400
WILNON DINTJLLNRA	08	88	8N	2000
WALSON NEILL	C24	125	C24	9400
12% CORV PR	160	160	160	500
WIRATORE,50C	69	70	69	250400
12A CONR PR	51	51	51	5700
W'VTHX CNZ1 PROPS, 200C	72	...	...	0
5.75% PR	68	68	68	1200
W'VTHE CVXT, 50C	259	259	259	200
VORRALO	270	...	...	0
5-7.5% PN	100	...	...	0
V.R.CARPARTAR,50C	254	...	...	0
W.XVTHRPLANR	150	...	...	0

Auckland Harbour Board sails into Julian squall

One of the Julian family companies which does significant work for the harbour board is owned by Harry Julian's son and daughter-in-law; but they are listed at the Companies Office as directors of other companies in which Harry Julian holds shares.

When it was suggested to Julian that the best way to refute the allegations of conflict of interest, which he has repeatedly denied, would be to disclose the details of his business dealings with the board, he said: "When the persons concerned have the integrity and courage to stand up and accuse me, I will answer them."

In the meantime, he says, he can think of no reasons why he should disclose his business interests to the public.

It is understood that the company which does most of the work for the harbour board is J H Bradney Ltd. Directors and shareholders of this company are Julian's son, Lancelot, and his daughter-in-law, Sharon. Lancelot and Sharon Julian are listed as shareholders of J H Bradney and as directors of Julian Holdings and Lanshar Holdings. Julian Holdings Ltd's shareholders are Harry Julian (2250 shares) and Edward Dyson (2750 shares).

Lanshar Holdings Ltd is jointly owned by Lancelot Julian and his wife, Sharon.

All the Julian family companies are registered at the offices of the Prime Minister's accountancy firm, Kendon, Mills, Muldoon and Brown, which also acts as the companies' secretary.

The harbour board has four ship-handling tugs and a further four tugs for engineering work. By and large, ships over 130 metres are handled by the harbour board's big tugs, and smaller ships have the option of using harbour board tugs or Julian family tugs.

Family companies also do work for the engineering department of the harbour board, towing barges and maritime maintenance work. And they do some work for the Navy. The division of labour has been basically harbour board tugs for the big ships, private tugs for the smaller ships.

Julian has written letters to the New Zealand Shipping Corporation saying the masters should keep up their tickets to enable them to bring their own ships into the Port of Auckland – but adding that if they do require assistance it would be cheaper to use the smaller tugs. The Julian family companies now operate the smaller tugs.

Without details from Julian, it is difficult to establish the full position from public records.

Auckland Launch and Towboat is also known on the waterfront as Blue Boat but must not be confused with Blue Boats Ltd, a $100 company in which Julian and his son, Lancelot, have a majority shareholding. Lancelot Julian, listed as a director of Julian Holdings Ltd, is the major shareholder of J H Bradney Ltd.

Lancelot's wife, Sharon, listed as director of Lanshar Holdings Ltd, is co-director and shareholder of J H Bradney Ltd. This company owns the tugboat, Odin.

It is understood that on the basis of this ownership, work done by J H Bradney Ltd boats for the Auckland Harbour Board is not affected by the Local Bodies Acts limitations on contracts.

J H Bradney and Sons Ltd, one of Auckland's oldest towboat firms, was owned by the Subritzky Brothers, Fed and Bryce, but sold its boat business to Harry Julian in 1973. J H Bradney and Sons Ltd has now changed its name to Sub Investments Ltd, and is still owned by the Subritzky Brothers; J H Bradney Ltd being an entirely different company.

According to the Transport Ministry shipping register, the Seabee, a 42-foot tug, is owned by Haunui Investments Ltd after being bought from Auckland Launch and Towboat Co Ltd.

But the company now known as Haunui Investments was not registered until 1979, so it couldn't have bought a boat in 1974. Company Office records show Haunui Investments Ltd is now a $100 company owned by Anthony Brownett and Terence McDell.

McDell, a well known yachtsman, denies that the company owns a tugboat.

The explanation is that there was another company of the same name, Haunui Investments, which was owned by Harry Julian back in 1974. Haunui Investments Ltd, (formerly Julian Logan Ltd. and Julian Shingle Ltd), has now become Auckland Launch and Towboat Co Ltd.

Shipping office records show that Auckland Launch and Towboat Co sold the Seabee to Haunui Investments Ltd.

As Haunui is now known as the Auckland Launch and Towboat Co, it seems as though the company sold the boat to itself.

But, in fact, there was another Auckland Launch and Towboat Co, this one was owned by George Family interests, and is the company that sold the boat to Julian's company. The former Auckland Launch and Towboat Co has now become George Investments Ltd.

Who owns the Seabee? Julian seemed surprised to learn he didn't still own a company called Haunui Investments Ltd, and was even more surprised that Seabee was registered under that company. Pressed to explain this, Julian said: "What are you trying to get at". He then refused to discuss the matter further.

Auckland Launch and Towboat Co Ltd is now owned by Harry Julian (400 shares), Lancelot Julian (400 shares) and Julian Holdings (200 shares).

The Hikurangi, Julian's biggest tug, is owned by Auckland Launch and Towboat and mortgaged to British Petroleum for $130,000. Julian bought the former Gisborne tug for $130,000 in 1977.

After buying out the opposition, the George family's Auckland Launch and Towboat Company and the Subritzky Brothers' J H Bradney and Sons, Julian family companies have a virtual monopoly on private tugboat operations on Auckland Harbour.

Julian, an avid, outspoken private enterpriser, has been quite successful in curtailing competition.

Last year, North Shore Ferries Ltd wanted to run a service from Auckland to Birkenhead. Harry Julian, who wanted to run the service with his own Blue Boats, objected to the Auckland Regional Transport Authority – and won. But North Shore Ferries, managed at that time by ex-national Party Minister, Minister Jack Scott appealed, utilising loopholes in the poorly drafted Transport Act.

To quash the appeal, the Government retrospectively altered the legislation in favour of Julian's Blue Boats. Several Labour Party MPs claimed this retrospective legislation was passed because of Muldoon's personal and business relationships with Julian.

Scott threatened to [illegible] front the National Party on the matter. In the end neither Julian nor Scott ran the service. It seems the harbour board wanted to charge [illegible] a year for the use of the [illegible] Bayswater – too much, he said.

Then John Appleton threatened the [illegible] with a swept up silver [illegible] for foreign tourists about Manu Moana to Rangitoto Island, a national park.

Over the last two [illegible] Appleton has been [illegible] transport authority [illegible] times. Each time he [illegible] defeated on Julian's objection. Appleton has spent $1000 on brochures [illegible] $600 on radio advert[illegible] promoting his trip. He is running the service apparently in defiance of the law.

Julian launched his [illegible] Rangitoto run in 1977, [illegible] before he ran for the harbour board. Prominent guests [illegible] the inaugural run included Rob Muldoon, Tom Shand and Allan Highet.

Julian's appointment [illegible] deputy chairman of the [illegible] ping Corporation was [illegible] without controversy. [illegible] public campaign to lower manning levels on corporation ships has not endeared him to some members of the seamen's union.

Many of the [illegible] members recall Julian as managing-director of the Cook Islands Shipping Company Ltd, owner of the island trader, Lorena. They allege he preferred Pacific Island seamen and housed them in cramped quarters. They say Lorena seamen slept on mats with no washing-machine aboard – conditions which New Zealand seamen would not put up with.

Julian was forced by industrial action to employ New Zealand seamen. After a protracted argument between Julian and the NZ Merchant Service Guild, the Department of Labour stepped in to collect more than $10,000 in back pay owing to the officers by the Cook Islands Shipping Co in a further dispute.

In the Citizens and Ratepayers' election brochure circulated in Auckland last week, Julian is described, among other things, as marine adviser to the Cook Islands Government.

Direct Fiji tour sales raise TAANZ ire

by Gordon McLauchlan

THE Travel Agents' Association of New Zealand (TAANZ) is trying to pressure Air Pacific to stop dealing directly with See Pacific Ltd, a small new agency which won't pay commission to retail agents on the grounds that it wants to sell Fijian Tapa Tours at the lowest possible rate to the public.

TAANZ is being discreet because it does not want to raise the Commerce Commission's interest by appearing to restrict competition from outside, against its own members, who have a fixed ring rate of commission.

See Pacific is the exclusive agent of Tapa Tours, claimed to be the biggest travel company in Fiji, and it refuses to give commission to other travel agents here on the ground content of the tours.

It sells them direct to the public only, claiming that by cutting – other travel agents it can hold down prices to the consumer.

See Pacific does sell other travel apart from Tapa Tours, but only to Fiji.

TAANZ claims See Pacific is competing unfairly by not allowing other travel agencies to sell Tapa Tours with the normal 10 per cent commission.

TAANZ claims the public is not protected against any possible See Pacific failures. It is not a bonded member of the association.

TAANZ is guessing that the culprit is Air Pacific.

See Pacific's managing-director Ed Wilson says he's happy for other agents to sell Tapa and gain the airline discount but the ground content bookings must go through him and there will be no commission for the agent on that.

TAANZ members in Auckland have been wondering how See Pacific could build in the airline component of the tours as it is not an International Air Transport Association accredited agency. It is understood that some TAANZ members now claim to have established that no IATA agency is involved and therefore it must involve a deal between See Pacific and either Air New Zealand or Air Pacific, the only two carriers now on the Auckland-Fiji route.

Ed Wilson registered See Pacific Ltd two years ago but only began trading at the end of July. He is the major shareholder with 275 of the 300 $1 shares. He says he was formerly marketing manager in New Zealand, and for a while in Australia, for a Japanese company.

He is brother of David N Wilson, managing-director of Tapa Tours in Suva, a man with widespread interests in Fijian tourism. It is these Tapa Tours that Ed Wilson is selling in Auckland.

Wilson won't talk much but it's understood TAANZ has been taking concerted action, writing to the president of the Society of Fijian Travel Agents, Dick Warner, and the Tourism Minister, Tomasi Vakatora. At least one of the letters is claimed to have implied that the good relationships between TAANZ and tourist operators in Fiji would be in jeopardy if See Pacific was allowed to continue in its present arrangements.

When Vakatora was in Auckland recently, he was asked publicly how he felt about the arrangement and replied that it sounded like a competitive free enterprise arrangement to him.

Vakatora repeated this assertion more strongly to *NBR* in Fiji recently. He and Fijian tour operators are fully aware that prices are running against Fiji as a holiday resort for New Zealanders, so they don't want to stop any moves that will help hold those prices down.

Pan Am sheds surplus staff

PAN Am's 747 flight from the United States arrived in Auckland two weeks ago with 14 cabin staff aboard.

Seven of the 14 crew members received redundancy notices on arrival.

Pan Am is facing the same sort of problems that are daunting Air New Zealand as well as an estimated 90 per cent of America's airlines – rising fuel costs and slow approval to increase fares plus a 5 to 7 per cent drop off in international air travel.

It is shedding staff after a disastrous $140 million loss for the first half of this year.

The seven cabin crew laid off in Auckland are among 983 crew dismissed by Pan Am's world-wide operations. A further 600 senior Pan Am management staff have opted for early retirement in recent months.

Pan Am's total staff (including subsidiaries) is 28,000.

The airline almost went belly up in 1975-76 and, after receiving take-over feelers from the Shah of Iran, pulled itself out of a profit nosedive by shedding one-third of its staff.

Some aviation commentators feel Air New Zealand should follow Pan Am's lead and shed its notoriously high levels of surplus staff.

Complementing Singapore

SINGAPORE Airlines began its twice-weekly non-stop 747 Super B service between Singapore and Auckland nine days ago.

Singapore Airline's captain and bevy of stewardesses were welcomed in the Maori tradition.

SIA marked the arrival of the new 747 by presenting a scale model of the old DC10 to the Museum of Transport and Technology to stand with other relics of aviation's past.

SIA's last gift to the museum was a human-powered trishaw.

The bitter irony of Singapore Airlines' discarded relics exhibited in the transport museum, while Air New Zealand was still flying DC10s, was not missed by the travel and aviation journalists present.

SIA's New Zealand manager, Richard Khoo said his airline would be joining with this country's Tourist and Publicity Department, in a 50/50 deal to promote New Zealand in the Singapore market.

Singapore's High Commissioner, Harry Chan pointed out the complentarity of our two tourist markets; Singaporeans came to bucolic New Zealand to get away from the hustle-bustle of the international marketplace. New Zealanders go to Singapore for a taste of the exotic East.

Country enters boom unaware it has already begun

ALVIN Toffler's recent book suggests industrial nations are already experiencing the "third wave" of development without realising it.

And it seems New Zealand may be climbing into the much-talked-about 1980s boom unaware it has already begun.

House prices in Auckland are moving up $1000 a month; the "plane people" are returning; yet unemployment grows as the gloom deepens from more factory closures.

Migration figures are beginning to show the same trend as in the early 1970s, swinging rapidly from a net outflow to a net inflow.

In 1968 the previous year's influx of 14,004 rapidly reversed to a 10,596 outflow building up to a loss of 11,181 in 1969.

But in 1970 the flow changed almost as quickly, resulting in a net population inflow of 800 building up to 33,576 in 1974, a net gain of 80,000 in four years.

Overall, throughout the decade there was a net immigration gain of 30,000.

The current exodus which, using the total migration statistics, gave a net loss of 85,000, is showing signs of slowing down as both those overseas for a long time return and the outflow slackens.

In the April-June quarter, 5125 long-term absentees came home while those departing permanently dropped slightly, though still above the corresponding quarter in 1978. But long-term departures slumped from 15,372 in the April-June quarter in 1979 to 11,694 this year.

Immigrants also appear to have faith in the country's future, with nearly 50 per cent more arriving in the latest June quarter over the corresponding period in 1979.

On a yearly basis the migration figures — which include all tourists, airline crews and others who come and go in a short time — show a marked downturn.

Auckland, however, appears to be the main beneficiary. Only in the Queen City as far as *NBR* can detect, are removal agents being kept busy handling arriving household effects of inbound travellers. For others, the outflow is still providing good business.

Wellington firms have noticed hardly any change in the inward flow this year, while Auckland firms have been "very busy".

Real estate agents hesitate to attribute firming house prices on the inflow. Wrightson NMA's Alan Porter told *NBR* that more people were moving north from the South Island, particularly from Christchurch, than were arriving from overseas.

Houses priced at $40,000 at the beginning of the year are now selling for $45,000, while homes in the prestige suburbs of Remuera have surpassed Eastbourne's reputation of being the most expensive in the country, perhaps helped by the transfer of pilots and other senior former NAC staff from the capital.

Valuation statistics support the drift. Christchurch property prices changed least of all, up 0.5 per cent in the six months to June, while Dunedin, Wellington and Auckland all measured larger increases, though nowhere near the rate of inflation.

Building permits issued are also increasing, though still lagging behind last year's comparitively slow rate. In the year ending July, 2629 fewer permits were issued than the 17,764 for 1979. But latest indications reflect a mild upsurge.

One construction firm in Wellington is already feeling the impact and is advertising for two-man gangs to build 36 houses. While new house prices have increased steadily old house prices have moved very little. Overall, existing houses have failed to keep pace with inflation.

Again the statistics also parallel the early 1970s when the building industry was caught unawares and was unable to keep up with demand. The laws of supply and demand forced existing house prices to the levels of new ones.

Then the Government had to increase import licences for building supplies where local industry was unable to cope with the demand.

But new building permits which are running at about 15,000 a year, still have a way to go before reaching the peak of 40,000 in 1973-4.

Export services brace structure

by Allan Parker

TWO significant export services organisations have announced plans to merge.

The Export Services Council – a loose-knit organisation representing exporters of professional skills and contracting services abroad — is to team up with the aggressive Export Institute on a one-year trial.

The merger follows a two-year study into the problems and organisation structure of the Export Services Council and the need for a national organisation to represent their interests.

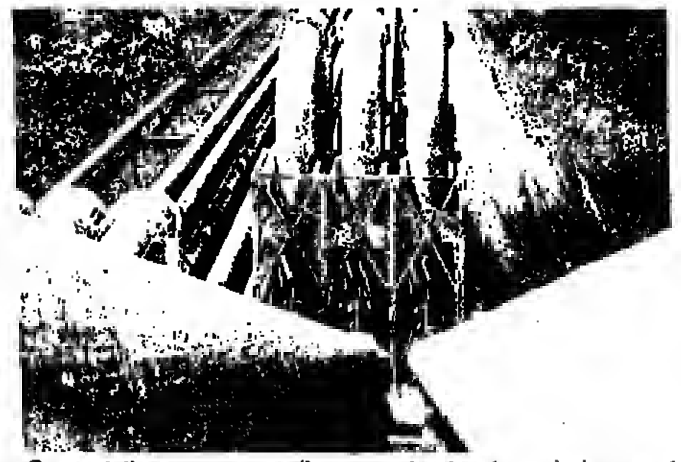
But, with only 120 members, the council would face very high administrative overheads and subsequent high subscriptions for individual members. The merger with the Export Institute will spread that cost burden and give professional and contracting members access to the institute's national structure and greater lobbying power.

Although small in membership numbers, the services sector is a substantial earner of foreign exchange. It has set itself a target of $300 million foreign exchange earnings each year from fees on overseas contracts.

The services sector has suffered from its fragmentary base. It comprises of consultancy services in professional engineering, agriculture and forestry, the full range of construction-related industries and services such as project financiers, insurance houses, insurance brokers, airlines, shippers, communication organisations and so on.

Some major contracts have already been won by the services sector. They include consultancy contracts for the design and supervision of power stations, housing schemes and road transport systems in Indonesia; contracts for milk processing factories in the Middle East; and, more recently, a $12 million contract for a milk powder packaging plant in Sri Lanka.

In the primary production field, local firms have won consultancy contracts for forest management and agricultural development in South America. A large grasslands farm in Saudi Arabia has been created from the desert and will eventually milk 2500 cows for factory production. The management methods and equipment for this project have all been supplied from this country.



Power stations . . . consultancy contracts for design and supervision.

Construction-related contracts include geothermal development in Kenya, airport construction in Micronesia, housing schemes in Saudi Arabia and Iraq and hydro-electric schemes in Papua New Guinea.

Also in the services field New Zealand is successfully offering databank processing systems, computer software and financial services.

The Export Institute has a membership of some 2500 business executives from the majority of large New Zealand exporting companies and smaller firms just starting to wet their export feet. It is growing at the rate of 50 members a month.

Heylen base in Brussels

DISTANCE, language difficulties, internal national borders and varying customs and trade regulations have long made continental Europe a hard market to track for many New Zealand exporters.

With an affluent population of several hundred million people, the European Economic Community countries represent one of the world's largest and richest trading blocs.

To help local exporters penetrate the EEC market, the Heylen Research Centre is establishing a Brussels-based information network for market research and feasibility studies.

Spearheading the New Zealand end of the operation will be Italian Dr Domenico Romanino, who has been working with the European Commission in Brussels. Paul Heylen, who left New Zealand two years ago will handle the operation from Brussels.

Heylen's Wellington managing director Kenneth Fink-Jensen says the intention is to provide a service from New Zealand rather than within the EEC itself.

The current Trade Commissioner service, he says, is "overworked, with not enough manpower" to cope with the demands of a company seeking detailed market investigation.

Also, he says, the service can operate as a locally-based but independent monitor of European agents.

He says the appointment of Romanino will ensure easy entry to "the contacts who matter" in the European nations. Although expensive, the detailed research will be cheaper than "going it on your own", says Fink-Jensen. The added benefit of locally-based personnel who know the environment, customs and attitudes will add to the service, he said.

Town planning

Prosecution danger for shopfront tourist agency

by Gordon McLauchlan

A TRAVEL agency with premises fronting Auckland's golden business strip, lower Queen Street, may be prosecuted soon — just for being there — according to City Council sources.

In what has been termed a "high-handed bureaucratic outrage" by one businessman, council planners are trying to interfere with the disposition of commercial operations in New Zealand's highest-priced business district.

A prosecution depends mainly on the result of an appeal currently before the Planning Tribunal, which is expected to bring down its decision soon.

If the decision upholds a council ordinance, the Union Travel agency will possibly be prosecuted, and certain types of business operation will have huge difficulties in getting established at shopfront in Auckland's main street.

Until only the other day, another travel agency, American Express, was also facing the possibility of prosecution; but it applied for a departure from the ordinance and gained one. Union Travel has not applied for a departure.

The ordinance — first introduced in 1972, amended and reintroduced in 1977 — is based on the desirability, as planners see it, of at least 75 per cent of the shop fronts between Customs Street and the Town Hall being occupied by shops, cinemas, theatres and restaurants.

Consequently, any banks, insurance companies, building societies or airlines which have established shop fronts since in the area August 1977 have faced stringent restrictions.

They must not, for example, occupy more than 25 per cent of the Queen Street frontage of any site. The site is bound by the land title.

South British Insurance has a shop in the street only because it owned enough land to amalgamate titles.

Both the Auckland and Northern building societies have shopfront operations in the middle of the golden strip but it's understood they both comply with the ordinance.

The present ratio of shops to non-retail operations is 60 to 40 in Queen Street, way below the 80 to 20 average in British shopping centres, according to one planner.

No one seems to know why New Zealand should follow a British or any other example.

But one planner said the goal for the central area was "to make it a bright place to come to, and this needs a strong retail presence".

For businesses such as banks, he said, it was not critical to be positioned in a shopfront position in Queen Street. And they have enough money to [illegible] anywhere.

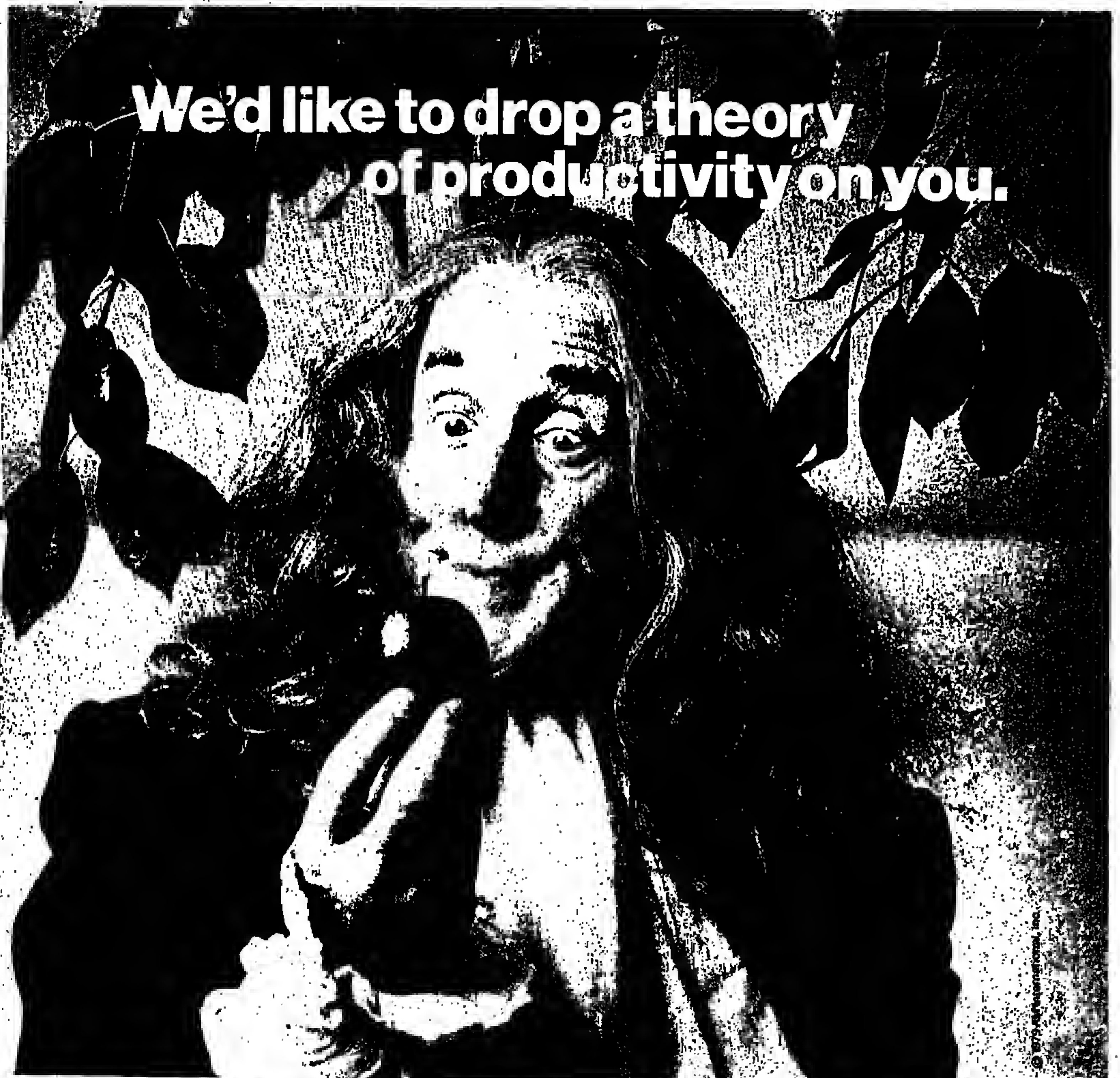
The Bank of New Zealand has a $5 million building [illegible] completion in Queen Street [illegible] may be forced by the ordinance to put retail shops on the ground floor and conduct banking operations from the first floor.

The banks appealed against the ordinance, not only because of this but because it takes away business flexibility for the future.

The ordinance, if upheld, means that any business operation, no matter of what [illegible] that was in Queen Street premises before August 1977 may remain operating from present site, and that site [illegible] used for that same type of operation in perpetuity.

In other words, banks, building societies or any businesses which were operating in Queen Street before 1977 are protected, and can even rebuild on their present sites with impunity.

But any business operation not deemed to come within appropriate retail criteria by the planners, and which has moved in since 1977, has risk of prosecution.



Insurance

Brokers need permission

UNDER the Australian Insurance Act, brokers placing insurance business with non-resident overseas companies must now seek permission from the Australian Government.

The brokers will be required to notify the insured that their policies are being placed overseas with non-resident insurance companies.

Australian brokers have welcomed the new requirements. A spokesman for the Confederation of Insurance Brokers said the move was designed to [illegible] rised foreign [illegible] panies con[illegible] through [illegible] not subject [illegible] the Act.

The ne[illegible] not apply [illegible] business [illegible] exempt [illegible] section [illegible] rance [illegible] rect or [illegible] overseas [illegible] Lloyd's [illegible] tions [illegible] rance [illegible] [illegible] insurance [illegible] move as one broker, rather [illegible] foreign insur[illegible] as such, some [illegible] authorised under the Act since [illegible] have not set up registered offices.

Retailing

Light-fingered shoppers lift million dollar haul

by Trevor Morely

WITH the school holidays over, retailers throughout the country will be wiping their brows and hopefully giving their feet a rest until the next big onslaught of shoppers at Christmas.

They won't be mums with half of dad's pay cheque, the affluent young with a fist full of credit cards, teenagers with some hard earned pocket money, or "littlies" out for the day with some cash from grandma. But they'll be there shopping with the rest of them all right, without a cent to dent their pockets, and they'll leave the shops with bags full of goodies.

How do they do it? Simple — they steal it. They are the thieves among the customers.

"Shoplifters" is a euphemistic phrase disliked by many a retailer because of its connotations of a smack on the wrist and "don't be naughty again, Sarah."

Thefts from shops account for well over $120 million in lost sales in New Zealand each year. Nothing is safe from the quick hand and the even quicker eye, from packets of crisps to leather coats and crystal vases costing many hundreds of dollars.

The steps that retailers can take to reduce theft by customers are many and varied, but some of them are just good sense.

Shop design plays a major part in deterring thieves. Display stands should be low enough that staff can see over them. When the stand is tiered, larger items should be placed on the bottom shelves and the smaller and/or higher priced items on the top shelves.

Display stands should be placed end on to the point of sale, so that counter staff can see down both sides of the stand. Dark corners should be eliminated with good lighting, curtains in fitting rooms should be at least 20cm from the floor, and fitting room mirrors must be tightly fitted to the wall to prevent tickets being removed from garments and stuck behind the mirror.

Customers intent on stealing, of course, do not like to have the attention of sales staff drawn to them. After all, they don't want the assistant to help them — they want to help themselves.

Thus one of the best deterrents to the thief is to educate staff to be good salespeople. The friendly approach to a customer, treating them as genuine and a potential sale, with a polite offer of assistance, will both generate more sales and at the same time deter the would-be thief.

There are several products and security devices on the market that can assist the retailer to deter the customer intent on stealing from him.

These range from the simple sign, advising customers that the store has taken precautions against theft and reports all persons apprehended to the Police Department, through to mirrors, closed circuit television, and electronics article surveillance systems.

Retailers should maintain a firm policy with regard to the apprehension of customers caught stealing. That policy should be to report them to the Police without exception.

It is an old adage of the Police that thieves never get caught the first time, and Police canteens abound with stories of the little old man caught with a pair of socks up his jumper who had "only done it on the spur of the moment, constable" and then a later search of his home found a veritable treasure trove of stolen property.

Similarly, it is not unknown for children as young as eight or nine to be street-wise enough to give a fictitious name and address to a shopkeeper when they realise that the Police weren't going to be called, but that mum and dad were going to get a phone call that night after work.

It is thus vital that retailers take a firm line with customers caught stealing and that they have a consistent policy of reporting them all to the Police, and letting the Police decide on prosecution, based on the evidence given to them by the retailer.

Signs should be strategically placed about the perimeter of the store and be eye-catching enough to draw the customers' attention to them. Additionally, they should also be placed in fitting rooms.

Mirrors . . . customers can also see staff.

Mirrors also help as a deterrent, enabling staff to keep an eye on suspicious customers. But don't forget that it also means that the customer can keep an eye on the staff.

A recent American survey of retailers found that of those surveyed, 82 per cent used mirrors as an anti-theft device, but that only 2 per cent found them to be the most effective measure, and as many as 33 per cent found them to be the least effective.

45 per cent of those surveyed used close-circuit television in their stores, but only 8 per cent found them to be the most effective anti-theft measure.

One of the main deterrent factors in the use of television is that the customer should see themselves on the monitor as they enter the shop, and this has a good psychological impact on them. That is, if there is one monitor at the door that they *can* see — where are the other monitors that they *can't* see?

Over half of those surveyed said they used observation booths as an anti-theft measure, and 23 per cent found these to be the most effective measure. There would be few stores in this country that could afford the luxury of the space or the cost of the manpower to institute this measure to proper effect.

One measure about which the report was strangely silent is the electronic article surveillance system, now widely used throughout the United States, Britain, Europe, South Africa, Australia and now even New Zealand.

Basically, these systems work by placing a special tag on the product which can only be removed by a special releaser held at the sales counter.

The tag contains a special metallic insert which causes an alarm to sound if the product is taken out of the store without first having the tag removed. The alarm is set off by detectors placed at the store exits which detect the movement of the tag when they come within range.

Some of these systems have been specially adapted for use in libraries, with a tag that is permanently fixed into the book, and is activated and deactivated as the book goes through the lending system.

Some users of these surveillance systems report a drop in losses by customer theft by up to 90 per cent, and reductions by up to 70-80 per cent are not uncommon. One large women's fashion store in Knoxville, Tennessee even claims a 100 per cent reduction in theft by customers since the introduction of an electronic article surveillance system.

Whatever devices, systems, or methods a retailer uses, be they mirrors or something highly sophisticated, he will never be able to truly ascertain how effective a deterrent they have been. What he will be able to see, however, is an increase in his profit at the end of the year.

Trevor Morley is security manager at James Smiths in Wellington

Government administration

Purchase offset policy opens lucrative potential

by Donna M Quirke

ONE HUNDRED million dollars of manufacturing subcontracts offset against future government overseas purchases are potentially in the offing for New Zealand's industry.

This is the conservative estimate of Trade and Industry and Scientific and Industries Research (DSIR) departmental officials who set up the offsets programme in September last year.

On April 2 1979, Cabinet decreed that foreign suppliers of all publicly financed purchases over $3 million be invited to make credit, counter-purchase or manufacturing offset arrangements to a value acceptable to the Government.

It is the latter — manufacturing offsets — which DSIR members of the offset team believe holds the biggest technological as well as lucrative potential for local firms.

Under this section of the offset policy, there will be subcontract spinoffs from purchases involved in updating and replacing equipment for Air New Zealand, the Ministry of Defence — including the army, navy and airforce — the Post Office and Railways.

Australia has spent the past 10 years in the offset arena demanding 30 per cent of all overseas purchases worth $5 million and over in subcontracts.

Chief mechanical engineer from DSIR's Physics and Engineering Laboratory (PEL), Don McCulloch, considers 10 per cent to be more rational for New Zealand's industrial situation.

Even so, McCulloch claims, the Australian experience indicates that a subcontacting offset policy will have far reaching benefits for New Zealand.

Offset work is typified by high added domestic value and specialised subcontracting skills involving advanced technology, he says.

McCulloch envisages benefits encompassing: export advantages; improved quality assurance of products; specialist training; development of management skills; strengthening of defence production; regional development; creation and maintenance of jobs; and a substantial tax return to the Government.

Technologically, the country has already, and still is, proving itself in the subcontracting offset field.

Since the early 1970s New Zealand's aviation industry has absorbed $1.03 million worth of subcontracts for making airframe components for the Australian Government Aircraft Company's (GAF) light weight, short range twin-engine Nomad aircraft. And GAF is now calling tenders for componentry of another five Nomads.

During this exercise, firms such as Safe Air Ltd, Blenheim, have shown themselves to be skilled in aluminium alloy sheet metal pressing and fabrication as have five other local engineering shops in castings and precision machined components.

Next month Boeing Commercial Airplane Company will also look at similar manufacturers in order to fulfill its offset obligations for the recent Air New Zealand Boeing 747 deal.

And Rolls Royce is in the picture as the 747 engine suppliers offering $1 million in offset subcontracts for each of the five aircraft ordered.

As well, it is offering $2 million for the refurbishing of Friendship Dart engines and up to $5 million in repair and overhaul work and promotion of New Zealand products overseas.

In addition, Boeing Aerospace is casting an eye toward New Zealand's computer software and electronics industries for offset work relating to the RNZAF's proposed $41.6 million P3B Orion update.

McCulloch gauges that the aviation industry alone could bring in $45 million under the offset policy using a 10 per cent guideline.

Technology transfer is another fundamental aspect of the New Zealand offsets programme.

McCulloch maintains that the objective is to secure lasting relationships with overseas suppliers which are capable of extension and development as New Zealand's technological skills increase.

McCulloch is also adamant however, that offset subcontracts are not gratuities.

Even though an overseas company is obliged to source work here, it can and will not do so at an unreasonable cost to itself, he reasons.

As New Zealand companies are in direct competition with their counterparts worldwide, McCulloch stipulates that manufacturing capability and performance — measured in quality, price and reliable delivery — precedes acceptance of any subcontract by an overseas tenderer.

Another member of the New Zealand offset team, Don Killick, also from DSIR's Physics and Engineering Laboratory, has been researching the social and economic benefits of offset subcontracting.

Basing his premise on matrix data from the export performance tax incentive scheme, Killick estimates for New Zealand's aviation industry $1 million of offset per annum will:

- Create or maintain 30 jobs;
- Generate $650,000 in overseas funds through domestic added value;
- Gain $91,000 export performance tax incentive credit for the industry;
- Provide a direct and indirect government tax take of at least $140,000.

A less tangible though equally valid aspect of such a deal in Killick's reckoning is the upsurge of technological, managerial and labour skills.

This assumption is based on the Australian offset programme where aircraft manufacturers have helped subcontractors reach required performance levels by supplying expertise, training and in some cases, specialised [illegible] and equipment.

Since the 1969 memorandum and understanding N. Zealand has developed a [illegible] relationship with Australia [illegible] defence production.

Hence the seed for a N. Zealand offset programme [illegible] planted.

But while Australia has a formal secretariat to handle its offset programme, N. Zealand's is still at the embryonic stage — a coordinated effort with T&I monitoring progress and DSIR overseeing the technical issues.

Although some progress has been made — such as the building of a company offset capability register — McCulloch and Killick feel that N. Zealand has "not yet got the [illegible] together".

For New Zealand to succeed in the offsets field, they contend that projects must be picked early enough to maximise industrial input; technological directions must be identified so that skills can be developed and extended; and that we must negotiate the best deal possible.

To date, there is no office in government or industries to be dedicated to this end.

Donna Quirke is public relations officer for the DSIR Physics and Engineering Laboratory.

Industrial relations

Temporary job programmes bewilder unemployed

by Ann Taylor

WHILE attention was centred last week on the Planning Council's report, *Towards an active employment policy*, workers employed on the Government's Temporary Employment Programme were bewildered.

Changes to the Government programmes have left them anxious about the tenure of their jobs, future employment chances and completion of the projects they have undertaken.

TEP — launched in 1977 — is one of the job creation and training programmes administered by the Labour Department.

Of 14,836 people employed under public-sector job-creation programmes at the end of August, 12,133 were employed on TEP and 2303 on the recently announced and somewhat mystifying Project Employment Programme, (PEP).

The PEP effectively splits the TEP into four separate schemes: work development; winter employment; student community service; and project employment.

TEP — to be phased out as existing projects terminate — will end on January 31 1981.

Announced in this year's Budget and spelt out in more detail by Labour Minister Jim Bolger in July, the PEP took effect on August 1.

By August 29, 2303 people were employed on the PEP, 350 on the works skill development programme, 41 on the winter employment programme, and 12,133 on TEP.

Government departments and organisations which have come to rely on TEP workers are concerned and confused by the change.

The National Union of Railwaymen might call stopwork meetings in support of the 600 TEP workers who, in national secretary's Don Goodfellow's words, are to be "dumped".

The NUR, like some other organisations, claims it has found it difficult to get any information on the situation.

The Museum of Transport and Technology in Auckland virtually owes its existence to TEP workers — it has been the largest employer of them in the country.

Notices to terminate were given to 315 museum workers last month.

"We just don't know what's going to happen" ... "we're just going to be given notice" ... "I don't think people know what's going on", ... was the general tenor of comment at a September meeting of unemployed and temporary workers organised by the recently-formed Wellington-based group, TEP Workers' Action Committee.

Many felt that, although they still had plenty of work to do, the new scheme was drawing viable projects to an early end.

A letter to Labour Minister Jim Bolger, ratified by the meeting of 350, accused the Government of attempting to create a pool of unemployed, unskilled workers with no job prospects.

Workers still on TEP and many unemployed fear that 20,000 people will be laid off before January 31.

The August 29 rally in Auckland of some 20,000 people concerned at unemployment was addressed by a TEP worker and by FOL president Jim Knox, who says "there will be thousands of workers who will go home for Christmas with nothing in their pockets."

Although both schemes are temporary, as their names imply, there is a growing resentment amongst those affected towards a policy which overtly seems to keep a swimming pool of people alternatively unemployed and temporarily employed.

Inherent in the schemes are lack of job security and ineligibility to benefits that accrue to permanent staff — like promotion.

The assistant director of the Labour Department's 16-person Employment Division, Mike Ransley, says: "Our people have been so snowed under we haven't been able to monitor the schemes as we would have liked."

He says the schemes have "not changed all that much ... the old TEP has changed into four separate programmes which more adequately cater for people".

The student community service programme provides work for tertiary students, as it has done for the last three summers, over the long vacation. But students have to spend a month on the unemployment register "to ensure adequate job search for unsubsidised employment" before they are eligible for referral.

Given the cuts in education spending, and particularly the decreased relativity of tertiary bursaries, the eight to 10 weeks of employment left after a month on the dole will not be sufficient to cover a full year's study.

The works skill development programme seems an unnecessary luxury, given the plethora of similar Government-funded projects with the same professed objective to "develop the work habits and basic work skills of mainly young job seekers".

The winter employment programme to provide for seasonal workers unable to find "unsubsidised work in the off-season" effectively concedes there is a dearth of farm and labouring work available to men-workers and so on during the off-season.

The PEP scheme does make provision for the employment of project supervisors, who can, under the new scheme be recruited for up to 18 months, from outside sources and be paid commensurate with their skills.

The wording on Labour Department pamphlets describing the PEP and TEP schemes is virtually identical. Both schemes "give you (the employer) the chance to get that low priority or deferred project under way", neither are available for work that is eligible for work subsidised under the National Roads Board, water supply or sewerage authorities.

But while employers using the TEP scheme were "under no obligation to take an applicant", PEP workers are told "you choose under no obligation".

The TEP provided for public-employment authorities and community organisations to create "temporary jobs for people unable to be placed immediately into permanent jobs by the department". A specific project, "preferably for less than three months", was the original criterium for organisations to employ people whose wages were subsidised 100 per cent by the department.

The patently manipulable scheme was seized on by local authorities and Government departments with back-logs of undone work and projects that could not otherwise be staffed.

Small organisations that could not afford to employ full-time workers slipped in on the "non-profit" critera and enjoyed an unparalleled boost in their secretariats.

The three-month criteria was either ignored or side-stepped by the department, which went on approving projects for some workers since the scheme was initiated.

The "sinking-lid" policy imposed on all Government departments seems to fly counter to any attempts to boost full-time, secure employment.

It's perhaps not surprising, then, that when out of the country the Prime Minister told journalists he was "not gravely worried about the cost to jobs that the policy (restructuring) was having at a time of no growth".

Law

Compliant road users gearing to test load limits

by Rae Mazengarb

TRANSPORT companiea are gearing up to test the proviaions of the Road User Charges Act 1977 before the Privy Council.

The Road ·Transport Asaociatioo has indicated it would consider supporting such a move.

The possibility has been suggested by a Taupo lawyer acting for a group of companiea which have fallen foul of the law in circumstaoces where they say they have geouinely been trying to comply.

Tauranga-based cartage firm T D Haulage was convicted in the Taupo and Morrinsville District Courta in mid-June

In one instance, one of its trucks had been stopped while carrying a load of wood-chips weighing more than that allowed by the licence, but under the maximum limit.

On appeal to the High Court, the company argued that the driver had had reasonable grounds to believe that the load he was carrying was under the allowable weight.

Managing director Derek Dunbar said that some loads — such as woodchips, gravel and logs — could have up to a 30 per cent variance in weight.

He argued that in such cases it was almost "impossible" to accurately gauge the weight of the load.

The courts decision has been reserved. But the company has indicated its readiness to take the issue to a higher authority — even to the Privy Council — *should* the decision go against it.

The Road Transport Association — without committing itself at this stage — has indicated it would consider lending its aupport to the company if it decided the move was of national importance.

The association — concerned about the road uaer charges — has formed a special committee to conaider the merits of a fuel-related alternative in line with long-term policy. But it is keen to iron out the major problems with the present system.

Lawyer Tony Christiansen — acting for T D Haulage — said the strict liability provisions of the Act were causing widespread concern.

"We have identified a very familiar and particular problem for all," he aaid.

He pointed out that the sole defence — under Section 23(3) of the legislation — in practice ia no defence.

The provision states it shall be a defence in proceedings for an offence of operating a road vehicle without the appropriate distance licence or supplementary licence if the court is satisfied that it was not possible to obtain the licence between the time when the need for the licence was "reasonably foreseeable" and the time when the alleged offence was committed, and the licence has subsequently been obtained.

The defence was tested sometimes, Christiansen said. But the system did not seem to allow for it.

"What we are doing is drawing the attention of the authorities to the problem," he said.

T D Haulage argues that the defence must apply to situations where the driver considered on reasonable grounds that the load he was carrying was under the allowable weight.

Truckies . . . ready to go as far as Privy Council

Industry sources say that some High Court judges appear aympathetic to the argument, but they are skeptical about whether there is any defence in situations where, because of the nature of the load, there is a reasonable risk that overloading will occur.

Those sources say that in such cases the authorities seem to accept that the risk of overloading is "foreaeeable as a matter of business practice".

Transport companies feel this line of thinking places judges in a "somewhat invidious positions" becauae they are being obliged to become revenue collectors for a faulty system.

One industry source said the revenue provision made drivers guess the weights — sometimes against impossible odds — and penalised them if they were wrong.

But in the High Court at Invercargill last month Mr Justice Quilliam allowed an appeal under the defence provision of S23(3).

8itumen Distributors (Southland) Ltd had raised the defence to a charge under the Act where grevel which exceeded the licence limit was carried.

The association will be busy in the next few montha trying to tidy up the road user charges system, but many of ita members are hoping for a switch to a fuel-related system.

RTA delegates at a recent conference in Dunedin approved the formation of a committee charged with developing such a aystem in detail.

They went ahead after an undertaking by Auckland members of Parliament that any suitable and workable alternative to the road user charges system would be considered by the Government.

But they gave the committee power to employ a consulting engineer to counter official attempts to disregard a reasonable alternative without according it a fair hearing.

"Accordingly it is imperative that our proposal is submitted with professional and expert support," delegates said.

In a background paper, the national association auggested a specific proposal to tax all vehicles, over 3.5 toones grosa motor vehicle weight, with a quarterly licence fee and a fuel tax equivalent to 6c a litre of diesel.

A tax at this rate equala the calculated heavy motor vehiclesahare of the National Roads Board but ahares the burden more fairly among transport operators, according to the association.

Executive officer Max Barclay said the paper did not go iato detail but did outline the basic principles.

Members discussed the question, but opinion was divided.

They recommended that time was required to develop the case before presenting a firm proposal to the Government.

Barclay said the biggest problem was that only 30 per cent of diesel used is for road use. The rest is used for agriculture, fishing and so on.

Any rebate system for diesel not used on the road would be open to cheating, he said.

Meanwhile the association's committee will work over the next few months to tidy up the road user charges syatem.

Members of the new subcommittee, to look into both issues would be drawn nationelly, he said.

Barclay said the Government had invested a substantial amount of time and money in the road user charges system, now only two years old. It would hardly be encouraged to throw it out overnight, he said.

A fuel tax is used universally, he pointed out, but for a number of reasons.

Thia is the only country that raises road tax oo an accurate kilometre-travelled measure.

Australia had just changed to a fuel tax which appeared to be working well, he said.

A major problem with road user charges is the administrative difficulties. If a tranaport operator overloaded a vehicle beyond the level appropriate to a licence or went above the allowable mileage, they are lumbered.

The fuel tax removea administrative hassles, at least as far as the court is concerned.

Delegatea to the recent conference made it clear they felt they had come before the courts for minor offences, often for reasons beyond their control, and atood shoulder-to-shoulder with muggers and other criminals.

A paper submitted to the August meeting of the association covering the quarter ended June 30 this year detailed infringements with figures supplied by the Ministry of Transport.

The number of checks on heavy motor vehicles was 27,300; infringements issued for overloading rotelled 2145.

RUC offences were 3983 for the quarter (3338 the previous quarter).

Offences for altering, defacing or having false licences were 573 (137 for the previous quarter).

Barclay said he thought the big increase was more the result of the MOT getting on the top of enforcement rather than an increased incidence of cheating.

"There is no direct evidence of large-scale cheating," he said.

Mining

Drill shortage thwarts boom

by Warren Berryman

THE greatest hardrock mineral exploration boom since the gold rushes, due to enter high gear when the weather improves late in spring, is likely to be thwarted by a shortage of diamond drill rigs and crews.

Rising metal prices and improved mining and metallurgical techniques have turned previously sub-economic ores into highly attractive exploration targets. A host of local and overseas prospectors have flocked to the country to re-explore old mining areas with modern geophysical techniques.

The culmination of any exploration programme is a drill hole. This is the ultimate test of all theory – geological models built up by bringing together geophysical, geological, and geochemical data.

The drill core tells the geologist whether the assumptions about the subterranean structure were right or wrong and tells the mining company whether the geophysical anomaly is ore grade material or worthless graphite or fools gold.

Gold . . . but how to find it?

This summer companies such as Amoco Minerals, Amax, Goldmines of New Zealand, Otter Minerals, and Mineral Resources were to explore their assumptions.

But there does not seem to be enough diamond core drilling rigs to go around. Even if there were more rigs there are not the drillers to work them, nor the readily available spare parts and drill strings to service the demand.

New Zealand is not the only country with an exploration boom. Mining companies in Australia and the United States are working flat out, taking up the rigs and spares that might have been available here and attracting the bulk of the internationally mobile drillers.

International mining companies would have to put this country on a low order of priority compared with Australia, Canada or the United States because of the disproportionate amount of environmental involvement, Governmental interference and delay.

New Zealand has two drilling companies – Longyear and Brown Brothers. Each company has four diamond drill rigs. Both have more work offered than they can cope with.

Brown Brother's rigs are all spoken for. One goes to Otter Mineral's site in North West Nelson; another to Greymouth to drill on State coal, the third to Reefton to work for Gold Mines of New Zealand. The fourth is going to drill for Amoco in the Coromandel Peninsula.

Brown Brothers is importing another rig from Canada. The rigs are being worked 24 hours a day. But, according to general manager Graham Brown, even with five rigs working at this pace his company won't be able to keep up with the demand.

Because of shortages created by the worldwide exploration boom there is now a three to four month waiting time for drill rods. And Brown said he feared a 12 month delivery delay after Christmas.

Good drillers to work the rigs are in short supply. When the mini exploration boom of 1967-8 evaporated many New Zealand drillers packed their bags and headed for Australia where they are guaranteed work 12 months a year at better wages and lower taxes than they would get here.

Longyear has 30 rigs drilling in Australia, and four rigs in New Zealand. Two of these rigs are already spoken for; one by Amoco to drill a Great Barrier Island prospect, the other by Amax to drill the Waihi gold prospect.

Longyear has no present plans to bring in more rigs. This company's drilling contractor, Ray White, said the major problem was getting drill crews.

Amax is exploring the possibility of bringing in a rig or two from its overseas operations.

During the 1967-8 boom McIntyre Mines brought in rigs and crews from Canada to drill its nickel prospects south of Nelson. Companies considering this option now are likely to find it very difficult to get rigs and crews at any price. Rigs, crews, drill strings, and spares are in short supply in the United States and Australia.

All this adds up to booming business for the drilling companies and some tedious disappointments for the explorers who have been anxiously awaiting the denouncement to their endeavours that can only come from a diamond drill core barrel.

Love not lost in ad game

by Allan Parker

WE all know it's true, but it's useful to have the confirmation every now and again. There'a no love lost in the advertising game.

The latest agency to discover this unpleasant truth is Wellington'a Thompson Advertising Ltd, part of the J Walter Thompson empire.

Readers of *NBR* may have noticed last week's double-page ad taken out by Auckland's Gray/Scott/Inch & Associates trumpeting their success in winning part of the Todd Motors account.

Part of the Todd account came on the market when previous account holder, Ilott, took over the General Motora account. With the obvious conflict of interest, the Todd account which Ilott shared with Campaign, went on the market.

Among the contenders were GSI and Thompsoo's. At the same time that the bids went in to Todds, the Wellington agency decided to re-equip its car fleet.

Their choice: Todd's Mirage.

Unfortunately for Thompson's the gesture apparently went unnoticed out at Todd Park – as the GSI ad made clear. One can only hope that Thompson'a find their selection more economical on the road than in the boardroom.

Sunday ads getting the nod

by Grev Wiggs

GIVEN the choice between paying a higher televiaion licence fee or accepting advertising with their Sunday programmes, most viewers plump for the latter.

This ia the verdict provided by a consumer aurvey carried out by National Research Bureau for the Aasociation of Accredited Advertising Agencies and the Aasociation of New Zealand Advertisers.

In its ban oo Sunday advertising over radio and televiaion, this country remains one of the world's pillara of Victorian rectitude.

When commercial radio was apawned under a Labour government, the public waa assured that it would be protected from crass commercialiam on Sundays. And, until recently, when the private radio stations unsuccessfully applied for permission to schedule Sunday advertising, that position has never been seriously challenged.

Again under a Labour government, when the rules for television advertising were being framed, Minister of Broadcasting, Ray Booard, instructed that Sunday advertiaing was not to be considered.

But times have changed. Now it appears that public objections to Sunday advertising have largely disappeared. Or at leaat they are not aufficiently strongly held to outweigh the threat of a heavier licence fee.

In the NRB survey which covered over 1000 males and 1000 females over 15 in 20 of the largest citiea, respondents were asked: "Which of these two waya (increased annual licence fee or advertising on Sundays) would you prefer for finding the money needed to meet the increasing costs of our televiaion service?"

Sunday advertising was preferred by 58 per cent of the total (57.7 per cent of males and 58.2 per cent of females) against 35.9 per cent who elected for an increase in licence fees.

Significantly, the 15-24 (65.4 per cent) and 25-34 (67.1 per cent) age groups were most strongly in favour of Sunday advertiaing and the degree of favouritism dropped in successively older groups with the 55 + down to 48.7 per cent.

It would seem that to ask respondents to choose between the unpalatable alternative of paying more money for televiaion service or the costless way of accepting Sunday advertising could skew the result in favour of the latter.

We asked Ross George, president of the 4 A's, to comment on this espect uf the survey.

"Broadcasting is under cost pressures," said George, "and the primary options for more revenue seem to be an increase in fees or making more time available through Sunday advertising. So we thought the question a fair one and valid under the circumstances.

"Beyond that, we believe attitudes hsve changed in relation to social practices on Sunday. There is far more Sunday sport and more sports coverage on television. Sunday papers are widely accepted.

"There are a number of advertisers who would be attracted to Sunday advertising, particularly those who seek earlier weekly trading."

President of ANZA, Colin Mortensen, gave as his association's viewpoint that a company should be allowed to advertise on any day of the week within the constraints of public opinion. Television and radio are mass media along with Sunday papers in which advertising is completely accepted.

"This survey shows a shift of attitude from younger to older groups with increasing tolerance shown by the younger element. Certainly people are not anti-Sunday advertising on television," said Mortensen.

Agency news

LARSEN Advertising and Promotions Ltd has received provisional accreditation from the NPA and thus becomes the first accredited agency operating on Auckland's North Shore.

* * *

RIMMINGTON Advertising and Marketing Ltd, a Hamilton based agency, has been granted provisionsl accreditation by the NPA.

Admark

Lawyers inject razzmatazz into their brass plaques

by Rae Mazengarb

THE legal profession's first tentative steps into advertising might seem only a mild flirtation.

But for those who have clamoured for the profession to shrug off its mystique and allow the public to better understand lawyers and the service they provide, the launching of the New Zealand Law Society's three-year advertising campaign is considered a giant leap.

Advertising has traditionally been viewed by the legal fraternity as distasteful — a measure which would undermine the mutual respect and trust of lawyera and lower the entire tone of the profession.

Yet the growing tide of consumerism, coupled with increasing pressure from younger practitioners, has caused the law profession to change its attitude.

Not the least pressure has been the increasiog tendency for other groups to seek work that has traditionally been the province of lawyers.

Chartered accountants, merchant banks, large public companies, building societies, tax advisers and others are all competing to provide law services to the public.

The major competitor — the Public Trustee — has aeen an upsurge in activity which is the direct result of regular advertising of the services available through the office.

But while it may be true that "it paya to advertise", the profession has atopped long short of allowing individual lawyers to "tout" for business.

Rather, the Law Society's closely monitored campaign is an institutional progrsmme which will run initially till December 1983.

With a budget of $30,000 this year, and around $50,000 – with inflation adjustments – for each succeeding year, the campaign will advance on three fronts:

- Advertiaing;
- Law Help – a scheme whereby people can have a talk with a lawyer for about 20 minutes for a cash fee of $10;
- A law services directory.

The laat two require voluntary lawyer/law firm participstion but there are aigns that a high percentage of firms will participate.

The directory is nnt yet available, because the concept has taken longer to develnp than was expected.

Originally proposed as a regional publication, and later thought of in terms of a national document, the directory will now be prepared by individual district law societies as they consider the need for such a listing.

To date, the Canterbury District Law Society has produced a draft for consideration. Auckland is expected to follow with its publication later this year or early next.

The directory will contain the name of the firm/lawyer plus the details of areas of activity in which the firm or lawyer is prepared or oble to take instructinns.

So far ahnut 94 law firms out of about 100 in the Canterhury area have iudicated a willingness to participate in the listing.

It is understood the directory might also include details of other facilities such as fluency by a member of a firm in a particular language.

The advertiaing itself will be handled by Ogilvy and Mather, which auggested as the central advertising theme that lawyers are the only professionally qualified and objective advisers on the law and its effecta on the personal and business lives of individuals; that only a lawyer has the knowledge and training to ensure an individual'a rights are fully realised.

O & M advised thet the message would reach over 90 per cent of the public over 20 years of age through magazines such as *NZ Women's Weekly*, *NZ Listener*, *Time*, *Readers Digest* and *Straight Furrow*.

Daily press and postera positioned in strategic places wnuld ensure even greater exposure, especially to the lower income group.

Though the programme is planned to run only fnr the next three years, those in the profession say it is unlikely the advertising will stnp at the end of that period. There would have to be clear evidence of little or no benefit gained from the exercise for it to be terminated.

Rather, it seems more likely there will be an extension of the advertising concept, perhaps – following the pattern overseas – into the category of individual advertising.

The subject cannot but become the hottest topic of controversy within the profesaion over the next few years.

While the concept of law professional advertising haa advanced at different paces throughout the world – with some countries restricting it outright – in the case of the United States, individual advertising is becoming increasingly accepted by the law community, despite initial reservationa.

Overseas' reports indicate a higher quality of law services provided by advertisers and in aome cases, for a reduced cost.

But the prime question — and one which is not likely to be settled easily – is what the individual lawyer would be allowed to advertise.

This is where the notion of specialisation – a aubject considered by the Law Society Council in 1978 – comes into consideration.

A notion which the council considered so interwoven with the suhject of advertising that the two could not be separated.

An advertisement may be a atatement of the ability of a lawyer or firm or a statement of the type of work performed.

The former enters the field of specialisation, and the council considered it waa an area in need of far greater study.

As far as o factual statement of the areas in which a lawyer ur firm are prepared to operate is concerned, though this type of advertisement would be for more acceptable, the council pointed out, there are problems when it comes to mentioning fees charged.

In New Zealand, it was pointed out, fees quoted for such as a matrimonial pruperty dispute, custody and maintenance dispute or even the transfer of a typical house property, could be misleading.

The advent of the law services directory — while it sidesteps the problem of "quality assertions" by lawyers of their fields of expertise – provides the public with some ready indication of the fields in which practitioners are willing to work.

Moreover, the directory, like the institutional advertising concept has for some years now been provided for.

Back in 1977, the Law Society Council resolved: "In special circumatances where the council of the district Law Society conaiders it io the interests of the profesaion and public that legal services available in a particular area be advertised, then such council may publish suitable advertisements in such manner as the council sees fit".

> *"IF A man were to approach me in the street and demand my watch, I should refuse to give it to him. If he were to threaten me with violence, I am not a fighting man, but I feel I should do my best to prevent it falling into his hands. But it he were to assert his intention of gaining my watch by any action at a court of law, I should take it out of my pocket and give it to him, and consider that I had got off lightly."*
>
> *Jerome K Jerome.*

Seige mentality excludes public understanding

by Bob Stott

KNOCKING Air New Zealand is becoming almost as popular as knocking the Railways. This article is not another critical blow, but a discussion of the sorts of things which have gone wrong for the amalgamated airline, and what might help to win it a little more public sympathy and understanding.

It's easy to say "I told you so", but from the inception of the merger it seemed that the National Airway Corporation's good name was at risk — or rather, that the amalgamated airline must be aware of how NAC had achieved the success it had enjoyed.

This column (March 1 1978), before the merger had actually taken place noted:

• A fair measure of NAC's success lay in the fact it had never been remote from the community it served;

• Air New Zealand had never had that same close association and didn't need it;

• Air New Zealand executives who will soon be helping direct NAC's fortunes will have to re-think some of their attitudes if the airline is to continue to prosper;

• The straight businesslike approach necessary for an international carrier won't necessarily work with an internal airline so close to the people it serves. They'll have to seem as interested in the welfare of Hokitika as they are in the manoeuvrings of Freddie Laker, the column said.

I'll add now that NAC was always a soft touch for any group interested in aviation — as, indeed, it could be because its Act required it in effect to promote aviation in the general sense as well as run a commercial airline.

NAC used to do all sorts of little things for community groups — assisting aero clubs and school children interested in aeroplanes. It was always done quietly, with no fuss, and those little jobs such as addressing a batch of envelopes for a local club or society must have paid handsome dividends.

NAC was the original friendly airline — big, bustling and efficient according to figures in its annual reports, yet maintaining an intimate relationship with the public.

In post-merger days the domestic arm of Air New Zealand seems to have been caught up in the drive toward more efficiency and the relationship with the people has suffered. It's harder now for clubs and societies to get the sort of support from the merged airline that they enjoyed from NAC.

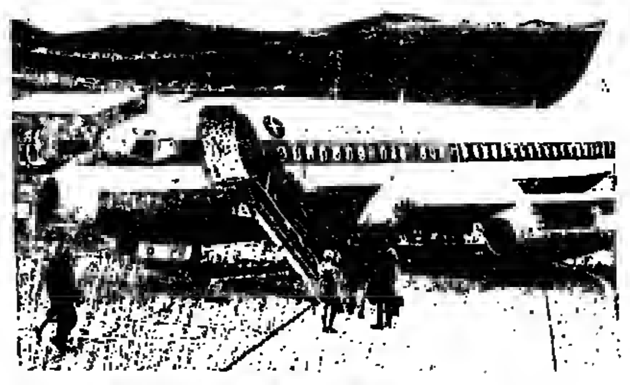
It's probably part of growing up. It can be argued that the pioneering stage of domestic aviation (when people needed to be coaxed aboard) has ended, and that a more commercially oriented approach is necessary, specially in view of rising costs.

But I wonder if the merged airline appreciated the nature of NAC's goodwill with the people.

On a different tack, Air New Zealand has been running the risk of being seen as the "big baddie" which keeps fares high by shutting out the Freddie Lakers. I put this to an Air New Zealand executive at a public forum a couple of years ago and he missed the point; he gave me a dissertation of how it wasn't true that Lakers would bring lasting benefits to the public at large.

Regardless of whether charter operators are good or bad, if the public thought that Air New Zealand was going against the public interest by shutting out the charters, then there was a problem.

The airline has been through some rough patches lately — spiralling costs (specially fuel) coupled with a recession, a serious plane crash and then the Antarctic disaster plus the continuing controversy over the merger have made life difficult. In such situations staff morale tends to fall and a sort of seige mentality develops — people tend to shut their office doors and hope it all blows over.



NAC . . . close to the community it served.

We've seen it all before. New Zealand Railways has had morale problems and a seige mentality — it is only recently that it has come out publicly to explain what the problems are and what needs to be done . . . (see general manager Trevor Howard's two booklets *Time for Change* and *The Social Role* as examples of attempts to communicate with a public who, after all, are shareholders in state enterprises).

Railways' moves have had a surprising degree of success — all sorts of people are talking about the burden of NZR "social services" and while it still cops a fair amount of flak, understanding of the problems is spreading.

In short, NZR is working at trying to build up some sort of rapport with its public. I wonder if the airline is working as hard.

The airline has serious problems with its domestic services. It has social services *ad infinitum*: it serves Whakatane, Tauranga, Taupo and Rotorua, each an hour's drive from each other, maintaining a terminal at each centre for only a few flights a day. You can still fly from Wellington to Palmerston North. If you count ground time it's almost as quick to drive. And you can still fly to Hokitika or Kaitaia or Oamaru.

Internationally, the scheduled airlines provide the year-round air mail services, which in the most off of off-peak times offer services for business travellers, bereaved relatives and others who can't wait for the low-fare, peak-time and charter services which fly only when full loads are guaranteed.

Air New Zealand is providing better services — more of them than might be expected — at fares which are lower than they should be (self evident I suppose; otherwise why would the company be making a loss?)

But isn't it time the airlines took the public into its confidence and explained its problems? Or at least worked at giving the impression that this was what it was trying to do.

Political vice suffocates local government tribunal

by John Roberts

DAVE Boswell was a member of the Local Government Commission dismissed by the National Party in 1977 because the commission refused to accept the directions of the National Government.

Given that the direction was manifest nonsense in terms of any rational regional policy and was accompanied by the most naked politicking by the local National member for Kapiti, Barry Brill, in his extremely marginal seat, there is little doubt that this was one of the most unsavoury episodes in the tasteless history of local government reform.

Boswell believes that the story of the commission should be told and has taken the unusual steps of publishing a book of pungent but expert comment on the course of local government reform since 1960 when the report of the Local Bills Committee planted the seed of the ideas now in good currency.

Broadly, the history of local reform is that Labour genuinely intends to restructure the system but is never in office long enough to do so; National frustrates Labour policy but, because local government is in a mess, finds ways to abandon the substance while applying the cosmetics of reform.

Boswell, along with his four brother commissioners, was caught in this political vice.

It is a matter of constitutional importance to follow the sequence of events. Territorial local government is a client of the National Party. Together, they have openly and covertly blocked reform by the Local Government Commission established by Labour in 1945.

It is usual to argue that parochial defence of threatened institutions generates this opposition. I believe that this is naive.

Reformed local government must bring greater public scrutiny of the worst effects of private land exploitation. It seems undeniable that the protection of private land values is the foundation of conservative political philosophy in New Zealand. The opposition to reform is at the heart of basic political and economic beliefs.

When, by an astonishing feat of legislative courage, Henry May rammed through the Local Government Act in 1974, he reiterated the truth that voluntary compliance in reform of local government will never be achieved. The history of the subject reveals this clearly.

Tempted by the opportunity to please local notables, a National Minister bent on survival always buckles before parochial clamour.

The local government commissioners were once reinforced in their independence from political direction by a statutory requirement to swear an oath of impartiality before a judge of the Supreme Court.

As Boswell points out: "The 1977 Amendment to the Act removed the requirement for an oath of allegiance . . . so future commissioners can follow the dictates of the Minister with a clear conscience."

The reform had come too close for conservative combat.

The intervention to preserve the narrow interests of Kapiti land owners is no more than the most shameless episode in a sorry history. The National Government had already wrecked May's reform by removing the provision for direct election of regional government.

Apart from those in Wellington and Auckland, regional authorities — the so-called united councils — will be composed of nominees from the constituent cities, boroughs, and counties of each region. In other words, that collection of citizens who have most bitterly opposed regionalism are now charged to make it work when their democratic responsibility is entirely to another and competing body.

It is both nonsensical and dishonest, nonsensical because an elaborate expensive governmental process is bound to fail, dishonest because the National Party is trying to con the electors into believing they have carried through an urgently needed constitutional reform when they must know, being intelligent men, that they have actually made the situation worse.

Cowardice is perhaps the most repugnant aspect of the whole situation. The National Party wants to keep local government as it is. They may well have a good argument but they lack the guts to make it.

Boswell, properly, steers clear of this wider constitutional debate. He wants only to tell the story of the Local Government Commission. He does so with the immense advantage of the insider. He was present at the interminable hearings held by the Local Government Commission to sound local opinions.

When he provides evidence that there is no possibility of securing agreement on reform among competing local authorities, it is conclusive. When he reports that Local Government Minister Allan Highet replied to a commissioner who had reminded him of the oath of impartiality, "who appointed you anyway?" we can accept it as a clear indication that a National Minister of Local Government will never let the commission solve the basic problems of reform.

The Local Government Commission was sacked because it would not pervert the course of rational reform by constituting a Horowhenua region. As this was required to further the National Party's electoral interests, the publicity surrounding the commission's actions was damaging to the party's reputation.

The reaction was violent and mean. Not only were the commissioners dismissed abruptly and without consultation, but the Government altered the legislation to remove a legal obligation to pay compensation.

Ex gratia sums were granted at the lowest level possible. Boswell's contract, for example, had ten months to run. He received three months' salary and re-location expenses.

Should we worry about this? Were the commissioners merely Labour Party stooges who found the kitchen too hot?

That is an impossible argument to sustain. Three

Allen Highet . . . "who appointed you anyway?"

Barry Brill . . . extremely marginal seat.

members had in fact been appointed by the National Party. Of the remaining two, only one could be said to be a Labour Party supporter and he had a distinguished record in local government.

Even the National Party experienced some revulsion from the vindictiveness. Boswell quotes an oleaginous passage from a speech by Highet which is calculated to make a sensitive man squirm with embarrassment.

"It saddened me that in the process one of the casualties was Hugh Fullarton. Hugh had given unstintingly of his time, energy and exceptional talent to the cause of stronger local government."

Fullarton had been chairman of the Local Government Commission since 1968. When Highet sacked him his contract had 15 months to run. He got six months' salary from Highet's Government.

These facts are important. They show that local government reform is a matter of passionate concern to the politicians.

They know that their chances of political hegemony largely depend on the quality of the political community. If it is active and independently powerful, the values espoused by the Labour Party will be politically current.

If it is quiescent, and dependent on the central power, the National leaders will be able to sustain their claim to office as the pragmatists of quiet government.

The wider political community does not appreciate the fundamental importance of local government reform.

Boswell's book sheds light on a dark corner of our politics. He deserves to be widely read and the lessons of his disgraceful treatment learned by everyone who wishes to understand the future course of New Zealand's politics.

Local Government, by Dave Boswell, published by the author 1980. Reviewed by John Roberts who is professor of public administration at Victoria University and was a Labour Party candidate for the Wellington Regional Council elections on Saturday.

Critics amass evidence against industry scheme

by Sue Green

IN a small factory near the Nuku'alofa waterfront 50 women make woollen jumpers for the North American market. On the concrete floor of a Niue hall 12 women stitch soccer balls marked "Made in New Zealand".

"Irrelevant to the local culture . . . a transfer of unsuitable New Zealand industry to the Pacific," say critics of the scheme under which both ventures were set up.

"But it's a job," say those who favour it.

The scheme is the Pacific Islands Industrial Development Scheme (PIIDS), run by the New Zealand Department of Trade and Industry, which gives local companies financial help and incentives to set up manufacturing or processing ventures in the Pacific.

It began in 1976 to help promote economic development in Fiji, Tonga, Western Samoa, Cook Islands, Niue, Kiribas, Nauru, Papua New Guinea, Solomons and Tuvalu.

Creating jobs, increasing exports, training locals and improving the foreign exchange position of those countries are among the aims.

But whether that is actually happening is open to question.

Views of the scheme range from its being New Zealand's most effective form of aid, to a sneaky way to move New Zealand industry into the Pacific Islands at great help to it and little help to the islands.

Critics ask how relevant to local conditions are the ventures being helped by the scheme's loans and grants for establishment costs, training and transfers.

The venture on the Nuku'alofa waterfront is South Pacific Manufacturing, a subsidiary of Palmerston North Glen Carron Knitwear.

Corso's general secretary, Toby Truell, says it is not using local resources, but provides a ready-made market for New Zealand wool. And he asks how many people in Tonga's heat wear woollen jumpers.

Noela Pond, the Glen Carron supervisor who went to Tonga to train the women, said there had been no complaints about working with the wool, even in the summer heat. They had adjusted well – "I guess it is no different to sitting under the sun weaving a mat".

But, she said, some of them have never before seen the New Zealand wool. In fact, "many of them have never seen sheep"

The venture, however, does provide jobs in a country with high unemployment. It employs 50 women, seven of whom have been to Palmerston North for training.

Even though jobs were limited to those fluent in English there was no trouble finding people, no-one had left and there was a waiting list, she said.

Is it most important then to provide jobs, even if they fit uneasily into the local scene?

"Yes," says Trade and Industries' resource development division director, Trevor Lloyd. Any criticisms that the raw materials and processes and foreign to those using them are completely overturned by the fact that it is labour intensive.

Tonga's Labour, Industries and Commerce Secretary, S Raghavan, agrees.

The scheme has been useful to Tonga, he says. It created jobs for people who might otherwise have left the country. Tonga's wage rates may be low (about 28c an hour for unskilled workers and 38c an hour for skilled workers) but in any such scheme there is mutual benefit.

His Fiji counterpart, Lai Qarase backs up that view: "You get our labour, we get your expertise and capital."

Besides, says the department's Francine Porteous, cheap labour may not be the lure it first seems when potential investors find out about freight rates, raw material costs and low productivity levels. About nine ventures which reached the stage of a feasibility study (up to 50 per cent financed by the scheme) did not go ahead, she said.

But Corso's Truell sees cheap labour costs as one factor encouraging a transfer of New Zealand industry to the Pacific without enough regard for the countries to which it is being transferred.

He disagrees it is not a lure. So do some manufacturers.

Auckland-based F C Matthews and Sons has set up a soccer ball-manufacturing operation in Tonga. It created 44 jobs, according to Trade and Industry.

In a letter to a 1979 seminar which assessed PIIDs, G H Matthews of the firm wrote: "The reason these balls have not been made in New Zealand is that the product is labour-intensive and each complete

THIS is the first in a two-part series by Sue Green of the Evening Post who recently returned from a two-month tour of the Pacific during which she examined the New Zealand Government's island industrial development scheme.

ball represents a labour content of about five man hours. It will be appreciated therefore, that the production of them in New Zealand, under our standards, and, all things being equal, Fiji would prefer it, he says.

Lack of local equity is seen by critics as further evidence of a move by our industry into the region to take advantage of local labour and third markets

would be uneconomic. They have therefore for several years been imported mainly from Asian sources."

The Matthews venture has a local partner. Though it is preferred, not all do. And all PIIDs ventures must have at least 20 per cent New Zealand equity, but some have no local equity at all in the country they are set up in.

Raghavan says that for Tonga, technology, management and ultimate viability are most important. No eventual reduction in New Zealand ownership is insisted on, "but in my experience they are only too glad".

Qarase agrees – the W F Tucker & Co food processing operation in Fiji is wholly New Zealand-owned. But there is provision for local equity later

otherwise closed to them, without even a token effort to involve locals in the real running.

Volunteer Service Abroad was involved in advising during the early days of setting up the scheme. Now its public affairs officer, Clive Conland, says: "We would be concerned if New Zealand companies were not involved in the provision of equal development, both in New Zealand and the host country.

"Equal development does not mean equal size of operation, it means a true sharing of the resources for the benefit of the Pacific countries involved – with bias toward the Pacific," he said.

That criticism of unequal benefit has been extended to the type of companies getting help from PIIDs.

Porteous says the scarcity of small self-contained companies has been one of the major criticisms made by aid agencies. But of the 59 applications given the go-ahead, (29 ventures are operating) most are small.

There is not a host of multinationals, she says. Perhaps the bigger ones attract more publicity.

To try to attract small ventures and overcome difficulties in organising convertible (after five years) suspensory loans for them, the scheme has been extended to cover small venture grants, Lloyd says. These grants are up to 50 per cent of qualifying expenses with $10,000 maximum, or for new projects with qualifying assets of up to $20,000.

It has also been extended to cover agricultural ventures and he says more advantage is being taken of that in feasibility studies undertaken this year.

But that has not wiped out the "helping the big companies" tag the scheme has attracted.

The Cook Islands Development Bank's general manager, John Rowley, says there is probably some truth in it.

He has worked for the Development Finance Corporation here and says, "seeing some of the schemes they administer, some were obviously large companies that did not need the support of their schemes but had departments that did nothing more than find out what they were eligible for".

It is fair criticism, and probably true, that New Zealand companies are being helped move into the Pacific, rather than Pacific countries being helped to develop their own local-based industries, he says.

But there have been tangible benefits and in the Cooks there would be few local entrepreneurs with the capacity to set these things up themselves.

Fiji's Qarase offers a solution: why not provide help to local venture partners for equity capital, perhaps long-term soft loans? The local lack is not just expertise, but capital, so such an extension would add to its advantages, he says.

But it's a personal view. He has not yet suggested it officially and is not sure if he will.

Among the larger companies which have been helped are Caxtons, Nathans and Butlands.

Butlands, with Fiji company Balthan International, have set up a ginger-processing company. Trade and Industry figures say it has created 26 jobs. In July the company's manager said it was just getting underway and he was not ready to speak or comment.

But just down the road in the same Suva industrial block another ginger-processing venture, another PIIDs venture, is Tropical Food Products Ltd, a joint-venture of Auckland's Tasti Foods and Fiji's National Marketing Authority.

Trade and Industry lists it as having created only two jobs but the company has big plans and is soon to move to new premises.

National Marketing Authority general manager Jim Eiges sees it moving from syrup to crystalised ginger and into jams and chutneys.

Australian ginger supply is costly and variable, while the Lome Convention which gives Fiji access to EEC markets is a big advantage, the company's manager, Edo Franken, says.

But now it is faced with competition for export markets from just down the block.

For PIIDs to finance both was "a bit stupid", he says. But the world is a big place and faced with a *fait accompli* he wants the two companies to come to an agreement to avoid a quoting war.

But the classic example of PIIDs helping a large company, and one which attracted a barrage of criticism, is the Western Samoa Rothman's factory, set up late 1978.

That project, for which PIIDs gave a suspensory loan (nobody was saying how much) raised "development at what price?" issues both here and in Samoa.

Health and social costs which there seemed little effort to assess – at least publicly – lost out to what Lloyd then describes as significant employment opportunities, worthwhile savings in foreign exchange, a local stake in the operation and local leaf-growing potential.

In retrospect, he said recently, "that was a project which was started off in the early days of PIIDs when we were in the learning curve to a fair extent.

"Perhaps we should have realised much more strongly than we did the toes we would tread on in providing support for that project, but basically we don't regret assisting there," Lloyd said.

In Apia the outrage that led to public meetings and deputations has died down, though

Wool workers . . . no complaints during the heat of summer

Low wage rates . . . "you get our labour, we get your expertise and capital."

"Irrelevant to the local culture" . . . "but it's a job".

perhaps it comes through in the common criticism that the locally-made "blended in New Zealand" cigarettes taste different from those "Made in New Zealand".

That's "nonsense", says the company's Samoa manager, Alastair Irvine.

He says it is going well, he has 50 on the staff and a waiting list for jobs – but he would not say how much the wages were.

The company supplies to Niue and he sees it moving into more exports and generally expanding.

Three New Zealanders run it and he sees his function being eventually taken over by a local.

Ironically, the company's local partner, the Western Samoa Government, sees the Rothmans factory as its biggest PIIDs success story.

Big companies are what Samoa wants, says its Director of Economic Development, Hans Kruse. They have proven success and strong back-up – management, money and marketing.

"These are the very companies that island nations need to attract here. This is borne out by the success of the Rothmans factory, because they are good at what they are doing," Kruse said.

"We tend to get in the islands a large number of people who were losers in New Zealand, Australia and even the United States – people who have not been able to make it in those countries and they see the Pacific Islands as their last hope of making a buck, unfortunately they invariably fail over here too," he said.

But the incentives to invest are still needed for the big companies – even the very rich and successful want to be richer and more successful, he said.

Everyone wants to make money, that's business, and that encouragement from PIIDs could just be the crunch factor in the decision to set up a venture, Kruse said.

Those comments come from a country which has been stung by a PIIDs failure. Western Samoa is the home of Wiseman's handbags, the skeleton in the PIIDs closet.

It was the first PIIDs project, set up in 1976 in a blaze of publicity. It came close to collapse and now, with a last-ditch revival effort under way there are stories in Apia of the company clearing its old stock locally and of the Government granting permission for clearance of goods from the wharf, despite $40,000 unpaid duty, so keen was it to see it going again.

Reasons given for its failure vary. Kruse blames the management and back-up.

Porteous says there were several problems, including finance, staff turnover and pilfering on the way to New Zealand.

One other PIIDs project has failed, Lloyd says – a concrete tank manufacturing company on Vava'u in Tonga. But only five applications have been declined by the department, Porteous says.

Samoa's problems have led it, like Fiji, to prefer big companies, or at least those with an established record. But those it most wants are those which will export.

Like so many developing countries, those in PIIDs want to raise their export level.

Next week: Reasons for the lack of export-oriented companies and problems of access to the New Zealand market.

Suspect franchise deals worry legitimate operators

by Warren Berryman

SUSPECT franchise deals are the Fraud Squad's biggest headache. They also worry legitimate franchise operators who fear that their franchising might be tarred with the wrong brush.

Franchising can provide newcomers to business with a valuable means of minimising risks.

Franchising has worked successfully overseas and in New Zealand.

Howard Bellin, founder of International-Franchising Pty Ltd of Australia, established a branch office in Auckland in June. His company set up a franchise programme for New Zealand Dry Cleaners Ltd and is doing feasibility studies for four more companies — three of them publicly listed.

In Australia, International Franchising set up franchise operations for Repco mufflers, Smokes and Things, Chicken Spot and other companies.

Bellin said: "Buying a franchise is one of the neatest means of turning an employee into an employer with the minimum of fuss."

Bellin listed several advantages of buying a franchise rather than setting up shop in one's own name:

• The franchisor can use his long experience to help the franchisee find a location that will sell;

• Then the franchiser can buy his equipment through the franchisor at better rates than he as an individual could buy;

• The franchisor lends his name and established reputation to the franchisee;

• The franchisor, acting together with the franchisees, can negotiate with the media for advertising and promotion'

• While the franchisee is in business for himself, he is not alone. He can turn to the franchisor for business advice, quality control, and be kept abreast of the latest technological and marketing techniques.

Bellin said he was shocked by the number of suspect franchise operations in New Zealand and the apparent impunity with which they operated.

"New Zealand is a country in which the Government gets in the individual's way more than anywhere else in the English speaking world. But you can lost your life's savings and the Government doesn't seem to give a damn," Bellin said.

"Business practices acceptable in New Zealand are not acceptable anywhere else in the world," he said.

Referring to advertisements run in newspapera and the selling pitches used by franchise merchants, Bellin said that in Australia, this was covered by the Trade Practices Act of 1974 under which any advertising likely to mislead a credulous person was subject to a $50,000 fine.

In the United States, franchisees were protected from franchisors who failed to perform their side of the bargain (for example, provide stock, advertising, or promotioo) by the fact that the money was held in escrow till the franchisor did perform Bellin said.

He said he was worried that the activities of bogus franchise merchants were bringing all franchising into disrepute.

International Franchising methods contrast markedly with those employed by some local franchise merchants.

Bellin, acting as a paid consultant first prepares a feasibility study. If the company decides to franchise outlets, then International Franchising may be employed to sell them.

Bellin said his company did not sell franchises it had not itself developed.

When Bellin's company offers franchises for sale, prospective franchisees are given literature warning them of the pitfalls of buying a franchise.

This literature tella the prospective buyer that while franchising reduces risk, it does not eliminate it.

It auggests strongly that the buyer seeks independent legal advice, that the franchisor's *bona fides* be thoroughly checked out, and warns that the franchisor or the franchisee might go broke.

Bellin's company deals with companies with a name to sell. The franchisee is buying the right to hang out a shingle bearing a nationally known name with a promotional machine behind it.

As Bellin puts it, "you can only franchise a successful business."

By contrast, franchises are often sold in New Zealand for new products and the advertising and promotional effort, though promised, seldom materialises.

Bellin had this advice for prospective franchise buyers;

• Check out the franchisor with a credit agency. Check with some of his franchisees to see how they are going. Beware of franchisors whose main activity is the sale of franchises, and beware particularly of the franchisor who uses only a box number as an address.

• Check out the franchise commodity, its sales trend, its competition. Find out if it is protected by patent and product liability insurance. Be sceptical of products which may only be fads,

• If the product is to be manufactured by someone other than the franchisee, identify the manufacturer and the manner in which cost will be determined.

• Check out the return on investment, on-going advertising and promotional costs (is this covered by the franchise fee?) Ask for validated profit figures of other franchisees operating on the same level you intend operating on.

• Don't just have the bank manager look at the franchise agreement. Hire a good lawyer to go over the agreement.

• Check out the territory and its potential. Ask what potential it will have to sell product in five years. If the franchiser says he has a market survey establishing the potential of the product, get the name of the market research firm and investigate its reputation.

• If the franchisee is new in business, find out what management training and advice he will get from the franchisor and if this assistance will be continued.

Over the years, *National Business Review* has heard many stories from people who lost money in failed franchise deals.

None of the victims even bothered to check the first of Bellin's elementary points — much less explore the finer points of franchising.

ASK a Fraud Squad cop the quickest route to financial suicide and he'll direct you to get-rich-quick businesses offered for sale in daily newspapers.

Deals which offer sure-sell products and effortless profits attract hundreds of aspiring businessmen every year.

The investors might pay $5000 to $15,000 for exclusive righta to sell the product in an area pencilled in on a map and a quantity of product. Too often they are left with a garage-full of product they can't sell and a worthless exclusive selling area.

Fraud squads name suspect franchise deals as their number one headache.

A plethora of legislation regulates reliable, legitimate business activities but little has been done to protect the public from suspect franchise operations.

Even if the rip-offs are blatant, convictions are seldom made, and the same operators go from one franchise deal to the next with impunity.

To prove fraud, the police must establish intent to defraud. And so far as a jury is concerned, no one knows the franchise sellers' intent better then he knows himself.

If the sure-sell products don't sell, if the franchise seller can't supply product or promote it as promised, or if the franchiser goes out of business leaving all the franchisees in the lurch, franchise merchants can come up with a stock range of excuses that at least a jury will buy.

Pensioners have lost their life's savings in sour franchise deals.

One franchise merchant (no longer operating here) used to have franchisees mortgage their homes to pay for their franchises, then have his lawyer discount the mortgages to third parties. His victims lost their money and their homes.

But Barnum was right. There is a sucker born every minute and the franchise business is thriving from North Cape to Bluff.

Often the once-bitten-twice-shy maxim doesn't apply. More often than not, those who have lost money in one sour deal fall straight into another.

That leaves the police and legislators asking: should we be protecting people from themselves?

Tough legislation designed to protect people from themselves is rigorously enforced when it comes to legitimate firms advertising and issuing prospectuses. But this legislation seems to regulate only the reliable, and suspect franchise deals are not caught by the net.

Every time investment money is lost in a suspect franchise deal, the pool of investment monies available to productive enterprise is depleted which diminishes job opportunities and affects the economy generally. They also destroy investors' confidence.

When that happens, less money flows into productive enterprise.

Tourist industry pessimism dulls investor interest

PESSIMISM is seeping through the tourist industry causing investors to think again about the need for a major new hotel in Auckland.

A drop in tourist numbers is the cause. In the year ending June 1980, 652 fewer holiday-makers arrived than a year earlier.

Though in percentage terms the drop is miniscule, 0.3 per cent, it goes against the Tourism Advisory Council's eight per cent growth target.

Escalating fuel costs, world instability resulting from the Afghanistan invasion and the Iraq-Iran conflict are further adding to the gloomy picture for tourism.

Statistics reveal other trends.

More overseas visitors are arriving, 27,865 in the year ending June, but most came to stay with friends and relatives.

Australia, the largest source of visitors amplifies that trend with an increase of 9056 in those visiting friends while, tourist numbers slumped 13,479.

A similar pattern applies to British visitors (tourists a 5.8 per cent increase, visitors up 38 per cent).

In 1979 New Zealand was second only to Fiji in the Pacific Area Travel Association in having the lowest growth rate in visitor arrivals.

The uncertain future against a pessimistic backdrop is making at least two developers reluctant to forge ahead with the one large hotel the Tourist Advisory Council says Auckland needs before 1985. The AMP Society is reviewing the future of the Great Northern Hotel site after rejecting a hotel development case.

And the Budget hotel investment incentives have yet to overcome doubts about the viability of the Tennant-DFC-Air New Zealand Sheraton.

Poor initial performance, a factor experienced by most new major hotel developments as Ron Evans, managing director of Auckland's new 110 bedroom Townhouse Hotel recently pointed out, causes hesitancy.

Opened earlier this year, the hotel has been reaching only 30 per cent occupancy rates. *NBR* understands that 60-80 per cent has been achieved in more recent weeks: Evans says the corner is about to be turned.

Townhouse and four other hotel groups (Travelodge, White Heron, South Pacific and Vacation Hotels), are campaigning against the Government involvement through the Development Finance Corporation in a major new hotel which they claim is not needed.

In the year to the end of March the five hotels had 86,000 empty rooms "Not beds, rooms," Evans emphasised.

The five have already out their case to the Ministers of Finance and Tourism and are now making a nationwide study to destroy what they view as the myth created by the DFC, Air New Zealand and Tourist and Publicity.

The group was still waiting for a review of growth forecasts by DFC and Tourist and Publicity, Evans said was promised.

Both, *NBR* understands, are standing by their forecasts of the need for a major new Auckland hotel, of approximately 400 rooms, by the mid 1980s providing tourist growth rates are met.

If the targets are met without such a development, Auckland is likely to once again become the bottleneck on the industry's national growth, the trio maintain.

The department is confident the advisory committee's target

Holidaymakers . . . smaller numbers keep occupancy rate low.

of 533,000 to the March 1982 year and 684,000 to the March 1985 year will be met, in total if not on country of origin basis.

Extensive New Zealand promotion in North America and West Germany, and to a lesser extent Japan, are yielding a rapid growth in long-haul travellers.

Holidaymaker numbers from the United States grew by 26.7 per cent, from Canada 22 per cent, Western Europe 26.9 per cent and Japan 14.4 per cent.

Those visitors, the argument goes, having endured at least 12 hours flight into Auckland will want to spend at least one night there on arrival and probably another on the way out.

Australians, although still over 50 per cent of our tourists, are regarded as the economy travellers, less likely to spend time in Auckland and even less at first class hotels being more likely to take camping, self-drive or coach tours.

Evans does not dispute the changing market scenario, pointing out that Townhouse is now building a top class 70 suite hotel in Wellington's Oriental Bay designed to cater solely for visiting diplomats, senior executives and the wealthy tourists.

Rising fuel costs pushing up airfares will make New Zealand a destination only for the wealthy long-haul traveller, Evans points out.

"We are not likely to get many West German workers, for instance. The airfare alone will keep them away," he said.

The Auckland group have produced statistics to show that contrary to the bottleneck "theory", occupancy at the five hotels concerned has been declining for the last two years.

Much of that decline has been in domestic traffic.

In Wellington, the Townhouse, which Evans says has the highest occupancy rate among the top hotels, has had its worst year in the past five.

Average occupancy has slipped from over 80 per cent to 73 per cent.

Hotels in the other main centres were experiencing a similar downturn, he said.

Domestic tourism and hotel use is an almost totally unknown factor.

In the past it has been ignored, taken for granted. Now the Midland tour and coach operator has appointed a research officer to look at both international and domestic trends, and Tourism and Publicity is turning its attention to the shortage of detailed information.

Officials admit that for too long the industry has been forecasting on "gut feelings" based on the experience of operators.

Computers

Challenge lends a hand to break US domination

by Stephen Bell

JAPAN's computer industry, gearing up to challenge the world market in a field so far dominated by the United States, has been given a helping hand into New Zealand by Challenge Corporation.

Challenge announced at the beginning of this month that it has been given exclusive New Zealand marketing rights for the V-830 small business computer, product of Japan's largest computer manufacturer, Fujitsu.

The rights also apply to future models in a planned series of 'V' machines, the next two of which are due to appear shortly.

The V-830, according to Challenge Computer Systems commercial manager Barrie Burney, "could have been designed specifically for New Zealand conditions. It is just the right size to fit most local business needs".

In common with many bureaux, Challenge has found the companies which would have previously been bureaux clients turning to small stand-alone computer equipment to supply their growing needs.

"It can be frustrating to find you've got nothing in your range to offer these people," Burney said. Accordingly, Challenge had been looking for some time at taking on a product on the small computer side.

Main reasons for choosing the V-830 as its small machine offering were the machine's impressive price-performance and its reliability, said Burney.

Clearly, he added, Challenge does not want to push the V-830 too hard at its existing bureau users and risk hitting its own business, but, he admitted, the company might be forced into

Barry Burnay . . . V830 fits most local business needs.

doing this if competitive approaches came from other small machine suppliers.

Though the V-830 is a small machine, Burney saw a considerable market for the model as an upgrade for existing users of small business machines. Fujitsu subsidiary Facom had already proved this market successfully in Australia, he said.

As well as single sales to small ventures, Challenge sees a market among large users who would want to use several of the machines linked in a network for "distributed" processing.

Connection of V-830s as part of Challenge's own network attached to its Burroughs mainframes was a possibility which would be investigated, "to see if it's an economical proposition". Competing bureau Computer Services Ltd is currently setting up such a distributed network, based on IBM 8100 machines.

The Fujitsu move further extends Challenge's presence in the local computer market, a matter of months after a vast expansion of its computer bureau business as a result of the merger with Broadlands.

V-Series sales will slot into Challenge Computer Services' equipment division, already responsible for such lines as data preparation equipment.

Challenge would be selling the V-series machines both in a "raw" state and as "turnkey" systems ready-programmed, Burney confirmed.

Some of the programs would be developed by Challenge itself and some acquired from other sources.

"Because of (the V-830's) compatibility", he said, "many local software developments are readily available for most commercial, business and technical applications."

Standard commercial packages and production control were mentioned as two applications areas with potential, but he declined to identify any other specific areas of interest.

After a seminar held by Facom when it moved into this country, some New Zealand software companies expressed an interest in using the V-830 as the basis of their own turnkey systems. The exclusive nature of the contract will mean such companies will now have to buy their hardware through Challenge, and Challenge intends to put strict limits on the number of such "OEM" companies allowed to operate in New Zealand.

There was a clear possibility of embarrassing competition developing between Challenge and the OEMs for the same contract, if the situation were allowed to get out of hand, said Burney. Further, unless an OEM were clearly established as reputable and capable, any shortcomings would reflect on Challenge's reputation.

The Challenge agreement may therefore have lost Fujitsu the possibility of wider distribution for its small machines here, but in compensation it has gained a single reference point in New Zealand for such sales, simplifying an approach on a wide front to a totally new market.

Facom is itself taking on the business of selling its large processors, the M series, and has already achieved its first sale, to Air New Zealand.

Here, Fujitsu is battling in the IBM-compatible market — the machines look to a user virtually identical to the IBM 370 series, considerably easing the transfer of software.

Competitors in this area include Natsemi Advanced Systems, a company whose high-end machines are supplied by rival Japanese manufacturer Hitachi. To date, Natsemi has sold no Hitachi machines in New Zealand.

French viewdata dealers explore export potential

WHILE New Zealand is taking its first steps along the viewdata path, France has advanced so far with its Teletel viewdata system and related products that it is already exploring export possibilities for the equipment.

Roy Bright, formerly with the British Post Office, is now managing director of Intelmatique, a concern charged specifically with finding overseas markets for the French information retrieval developments. Bright recently paid a flying visit to New Zealand and promises to be back next month for a longer look at opportunities here.

France's integrated information retrieval program is known collectively as "telematique" — the kind of word that sends the Academie Francaise into despair over the development of the French language.

Besides the Teletel viewdata system, the telematique programme includes a terminal inquiry facility, to be initially applied to telephone directory enquiries, an inexpensive document facsimile transmission system and a novel development known as Telewriter, allowing users to communicate writings and drawings to each other.

The Telewriter user writes or draws with a stylus on a pressure-sensitive pad and the text or diagram is reproduced on the local television screen and the screen at the message's destination.

Initial trials of the Teletel system, in the Velizy district of Paris, will take place at the end of this year and involve up to 2500 households for 12 to 18 months.

The telephone directory system will have a larger-scale trial in the Ille-et-Villaine district, with 270,000 households taking part. The simple black-and-white screen and keyboard necessary will be supplied free of charge, but is still expected to be economical, as it will totally replace the printed directory.

Bright expects this low-cost terminal to be received particularly well by overseas users, especially those approaching mass markets.

It will allow such ventures to "break out of the vicious circle of high-priced terminals with a limited appeal to a mass market". Limited sales in turn prevent the manufacturer from making the terminals in sufficient bulk to lower the price.

With sufficient mass markets, the directory terminal is expected to fall in price to around the $100 mark.

There will be related, or entirely separate markets for the information retrieval software used in the directory system.

All telematique products are made compatible; the directory terminal is usable as a limited viewdata set, and the facsimile device can be used to obtain "hard copy" from the viewdata set.

Telematique is expanding into the banking and point-of-sale area, with a plastic identity card containing an integral micro-chip — far more secure than the conventional magnetic stripe encoding of an account number. But standards for this device are still under discussion.

Intelmatique's role in the exporting of telematique products is strictly that of a "marriage broker", said Bright.

Once the agreement is concluded between the French Government and the prospective user, Intelmatique will back out, or, at most, retain only a consultant role.

New Zealand's viewdata approach has not firmed up sufficiently to exclude Intelmatique from the New Zealand market, Bright believes, but "if I had left it until later, I might have been too late," he said.

The Australians

New trans-Tasman policies demand adjustment

Melbourne Correspondent

ACCORDING to the Confederation of Australian Industry future industrial adjustment in the country will be caused less by the removal of tariff barriers, than by other aspects of trans-Tasman trading policies.

Addressing a conference on Australia-New Zealand economic relations at the Australian National University a CAI spokesman, D Morton, said that two-thirds of New Zealand products may already enter Australia duty-free and without restriction. For the remainder, the average duty in relation to New Zealand products is about 10 per cent.

In terms of removing Australian trade barriers, he added, it was a question of relatively low duties on a somewhat restricted range of products — together of course, with those products such as textiles, clothing and footwear which are subject to mutual quantitative restrictions under a special Nafta arrangement.

Morton said: "Of far greater significance to the bulk of Australian industry are non-tariff issues such as the intermediate goods question, the issue of export incentives, and the matter of import licensing.

"Both in terms of providing for equality of trading opportunity between Australia and New Zealand, and in terms of factors which may necessitate major restructuring in Australia, we believe it is these latter issues, rather than tariffs, which have the greatest significance.

"The reduction of an Australian tariff of (say) 10 per cent to zero in relation to New Zealand, would have less of an impact on many Australian companies than the continuation of highly subsidised export competition on the part of a New Zealand competitor or the continued inability of the Australian company to gain reciprocal access into New Zealand, through the import licensing system.

"If substantial re-adjustment is caused in Australia by a closer trans-Tasman economic relationship, it will be caused more by lack of equality in certain policy areas, than by removal of tariff barriers," he said.

In any event, he predicted, the industrial adjustment caused by closer trans-Tasman relations would be "lost in the background noise" of Australia's resources boom and the major problems it will bring in competition for capital, labour, land and use infrastructure.

The CAI spokesman told the conference that some fears had been expressed in New Zealand that a closer economic relationship might lead to industries relocating in Australia to reduce transport costs and to be closer to the larger Australian market.

If such moves gathered impetus it was feared that it could lead to the "de-industrialisation" of certain regions in New Zealand, particularly of the South Island.

Morton said: "Such fears are greatly exaggerated and if we are looking at an on-balance situation, there is likely to be a greater relocation of Australian industry to New Zealand than vice-versa.

"Wage levels in New Zealand, in the manufacturing sector, are presently about 55 per cent of those in Australia. And, a fact which is not widely realised, the on-costs of employing labour in New Zealand are substantially lower than in Australia."

CAI members with operations in New Zealand report that labour on-costs across the Tasman generally average some 20 per cent of wages, whereas for the same industries in Australia they average a little over 40 per cent.

Taking together the lower wage levels and lower on-costs, the cost to a company of employing labour in New Zealand is less than half. Australian companies find this to be a very strong attraction and I consider

Local labour . . . employable at half of Australian cost.

that the freeing up of trade and other barriers between the two countries would lead many Australian companies to either build new plants, or relocate in New Zealand.

The New Zealand operations which may relocate to, or be set up in, Australia, are likely to be those which are capital-intensive, where economies of scale are of major significance, and where wage differentials are not the determining factor," he said.

The CAI was also critical of Government involvement in the trans-Tasman economic relationship.

Morton maintained that the current trade agreement would have to one of the most highly managed and cumbersome bilateral arrangements anywhere in the world.

He said: "It is this over-management which has caused Nafta to grind to a halt in terms of providing freer trade, and greater equality of trading opportunities, as between our two nations.

"The complex safeguard and objection procedures, the necessity for frequent government involvement and review — often on a commodity basis — virtually guaranteed that progress would grind to a halt.

"CAI would hope that any new agreement which the two governments can put together, will be based on an initial general framework which will subsequently be self-regulating, as free as possible from government involvement, and within which companies on both sides can make their own decisions — free from detailed government intervention and tinkering," he said.